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SYSTEMHOUSE

The monthly review of the financial performance of the UK software and IT services industry

OFFSHORE SERVICES: MAKING WAVES IN THE MAINSTREAM

It's easy to be swept along by the offshore wave. Judging by some reports (and offshore company stock prices!) you'd think we were all about to disappear under some sort of offshore outsourcing monsoon.

We've been tracking the offshore phenomenon for some time and believe it is fundamentally changing the rules of the game for the UK S/ITS industry. But, as our newly-published Offshore Service Report 2003 sets out, we also think it's time to get things in perspective.

A FEW SHIPS DON'T MAKE AN ARMADA

We have to admire the way some of the leading Indian offshore companies have grown revenues and profits in recent years. And as shown in the article on page 6, they show little sign of faltering. Three companies in particular stand out: **Wipro Technologies**, **Infosys** and privately-held **Tata Consultancy Services**. This triumvirate leads the market globally and, as our research shows, in the UK.

Several other offshore companies have impressive credentials. In the UK, Satyam has grown rapidly since setting up shop here in 1999 and Mastek continues to benefit from its long-standing relationship with BPO giant **Capita**. Nonetheless, we reckon the top three stand head and shoulders above the rest in terms of total scale and prospects. In fact, we expect one of them will make it into the global IT top 10 by the end of this decade.

UK ranking	Company	Global Revs, £m	UK Revs, £m
1	Tata Consultancy Services	613	92.0
2	Wipro Technologies	335	66.0
3	Infosys	381	43.0
4	Satyam	264	27.5
5	Mastek	43	23.5
6	HCL Technologies	239	20.0
7	Cognizant	124	12.5
-	Mahindra-BT	80	66.0

But all in all, we've only found eight offshore players with more than £10m of business in the UK market in their most recent financial year; and one of those – **Mahindra BT** – relies on a parent company (BT) for over 80% of its revenues (hence its disqualification from the rankings). Behind these eight, there are lots more offshore hopefuls out there, but we suspect life will get increasingly difficult for anyone who can't join the top tier.

A SENSE OF SCALE

In total, we estimate that the offshore sector earned revenues in the UK of £545m in 2002. This equates to just 2.4% of the total S/ITS market. Put another way, if the sector were a single player it would stand at no.13 in Ovum Holway's current rankings of the top 40 S/ITS suppliers to the UK market in 2002.

Of course the 'offshorers' are growing fast – some will post more than 30% growth this year - in a UK S/ITS market that is struggling to grow at all. This means the offshore sector's market share is on the rise, and will more than double its 2001 level by 2006. Even so, we can't see it exceeding 5% before 2007.

BUT THE STRONG WILL PROSPER

The leading offshore players will become increasingly significant in the UK S/ITS market, as competitors, partners and employers. To sustain their growth, we expect them to make a few selective acquisitions. Typically, they'll be in the market for sub-200 person outfits that provide a sales and consulting front-end to reach UK customers. Such onshore capabilities should help them expand beyond the lower value application development, integration and maintenance work that has made up much of their business until now.

BPO is the other big opportunity for the offshore sector. All the leading players are investing in business process capabilities and are looking beyond call centre work to areas such as transaction processing and HR services. In fact, we believe a handful of BPO contracts with UK firms have already been negotiated but – because of the sensitive nature of these things - details are hard to come by.

EVERYONE'S INVITED

We've been speaking with a number of leading S/ITS players on this topic too. Firms like **Xansa**, **EDS**, **IBM**, **LogicaCMG**, **CGE&Y**, **CSC**, **Siemens Business Services**, **Microsoft**, **SAP** and many more are developing

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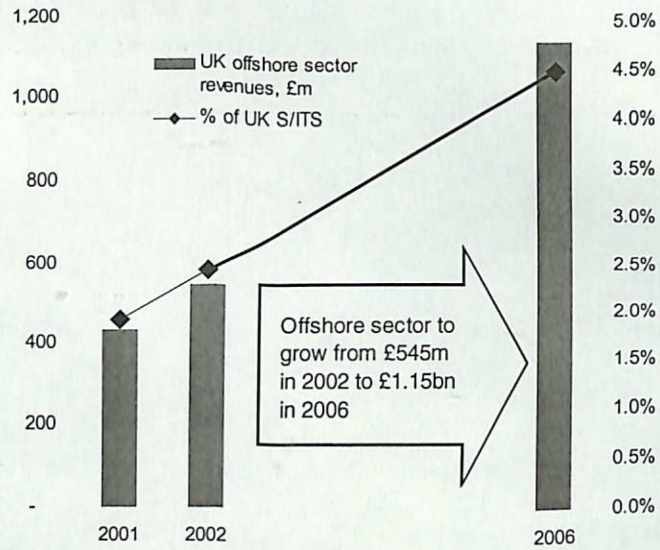
their own onshore/offshore delivery models. And it's clear that, slowly but surely, they are getting their own offshore acts together – using not just India of course, but a whole host of countries from South Africa to China to Canada to Vietnam. In so doing, they are both contributing to and cushioning themselves against the pricing pressures we see in our industry today.

You may even recall a few low key acquisitions in this area – Xansa and Logica, for example, both acquired small Indian operations back in 1998. Today, there are a number of struggling offshore players out there that might provide a way for others to step up their offshore operations. That said, nobody could argue that 'going offshore' is easy – it takes time to integrate an offshore unit and use it effectively, as anyone who has tried will tell you.



BUT DON'T GET LEFT BEHIND

The situation is less clear for those smaller S/ITS players that lack the resources to develop or acquire their own offshore capability. The risk is that such companies may find themselves getting less and less competitive (or less and less profitable) if they are unable to introduce the cost and flexibility benefits of the offshore model into their business. This applies not just to players in software and application development but also to those trying to prosper in just about any area of project services, support services, outsourcing or BPO.

So what can be done? Well, if you can't stretch to an offshore capability of your own, there's always the partnership option. The leading Indian companies have been providing services to a whole range of other S/ITS companies for many years. We reckon some of their agreements with larger 'onshorers' may become a little uneasy as the offshore players themselves go direct to more and more major customers and competitive conflicts arise. But that shouldn't stop smaller S/ITS players seeking out an offshore partner or two. There doesn't even need to be any concrete agreement at first. But having an offshore ally to carry out work cost-effectively as and when required could be a real bonus in the lean times to come, particularly for those companies forced to operate on a much-reduced full-time headcount.

We hope we've shown that there should be a silver lining in the offshore trend for those players in the UK S/ITS industry that get low-cost, flexible offshore options in place. But the stakes are high - no longer is an effective offshore strategy a 'nice-to-have'. From now on it's going to be essential for anyone looking to compete and survive in a market where price and margin pressures are simply a fact of life.

For more on the impact of offshore in the UK, Ovum Holway's *Offshore Services Report 2003* is published this month.

For more information on the report and/or to arrange for us to present our findings to you in a more customised/personal way, please contact Andrew Randles on 01252 740908 or e-mail ajr@ovum.com.

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INDICES (changes in Jan. 03)

Holway S/ITS	-7.1%	2521
Holway Internet	-2.0%	1984
FTSE IT (SCS)	-9.4%	308
techMARK 100	-5.6%	613
FTSE 100	-9.5%	3567
Nasdaq Comp	-1.1%	1321

HOLWAY COMMENT

CLERK OF THE WORKS

One of the rather too numerous speeches I gave this month was the techMARK Quarterly review where Richard Kramer of Arete Research (for whom I have great respect) and I vied for who could provide the most gloomy forecast for the sector. The only thing we seemingly disagreed on was the rampant consolidation I have predicted. Kramer, rightly, argued that large acquisitions didn't work. A statement with which I am in violent agreement. But Kramer believed that because they didn't work, companies wouldn't do them and therefore rampant consolidation would not take place.

It's a bit like smoking. Everyone knows that it kills you. Except that a third of the population still continues to smoke on the basis that it won't happen to them and/or by then they will too old to care. That's why corporations will continue (indeed accelerate) their M&A activity. Most CEOs who do acquisitions are not around long enough to clean up the mess. Sad...but you can bet your life it's true.

This same logic has pervaded our reporting of the outsourcing, and now the BPO, world for years. In the same reports we:

- report on the unrelenting increase on the number and size of one source outsourcing deals
- forecast similar future increases in such mega one source contracts
- report on the continued failure of such contracts and the ever increasing disillusionment of customers.

At the risk of upsetting a fair number of our customers who have depended on such mega deals for their living, we would now like to predict that their day is coming to an end.

HOW WE USED TO DO IT

Back in the early days of IT there was no outsourcing. Users ran everything themselves and employed every person and skill required. This may sound antiquated but, in the main, it worked.

The user then progressed to using subcontractors, most normally paid on a time-and-materials basis, to augment his own staff. Most of the IT services companies founded in the 1960s were created to fill this requirement.

Outsourcing, then called Facilities Management (FM), started in the 1970s. FM companies tended to take over the running of existing IT operations - mainly 'legacy' mainframe systems enabling the user to concentrate on his new (usually distributed) IT projects.

Then, in the 1980s ,and increasingly in the 1990s, the mega 'Design, Build and Run' outsourcing contracts were born. The user passed over responsibility for every aspect of its IT to just one prime contractor. We initially defined a 'mega deal' as being worth at least £20m per annum i.e. £100m over a normal 5-year term. But this now looks puny. The Aspire (Inland Revenue) contract is worth over £4bn.

If outsourcing your IT to just one supplier was not enough, BPO took the process still further by outsourcing the whole business process to just one prime supplier. HM Gov't then took the process a step too far with PFI.

The process put enormous power into the hands of a handful of outsourcers. Indeed, you had to be already huge even to be short listed for a mega contract. The Big just got Bigger and Bigger.

But the user increasingly found himself in an invidious position. All business processes change but the outsourcing contract had to be priced on the process fixed at a point in time. Change control pricing became THE way of making profits on outsourcing contracts. The user had little choice but to pay up as he had no inhouse resource any more and also had severed relationships with competitors. Indeed, even if the outsourcer itself used 'sub-suppliers' (which was the norm) they went to great lengths to limit contact with the user.

Changing supplier at renewal time also became extremely difficult. Indeed, when we last looked, 97% of outsourcing contracts that were renewed were with the original supplier. Because all 97% were satisfied? We doubt it! More likely because they had little choice. Indeed, it got to a point where suppliers were not interested in investing the resources required to put up a competitive bid in the sure knowledge that the user had no real choice but to renew with the original supplier.

Sometimes it got even worse. If the outsourcer or PFI company threatened bankruptcy, the user (often HM Gov't) had little choice but to bail them out.

This situation led to unhappy customers. But it led to unhappy suppliers too who saw themselves locked out of more and more contracts. Where they acted as

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subcontractors, their margins were squeezed by the mega suppliers (who often did not pass these savings on to the user) and they were prevented from establishing direct lines of communication with the user. After all, that would allow the customer some choice. Give him back some bargaining power. And, if you are a large outsourcer, that's the last thing you want!

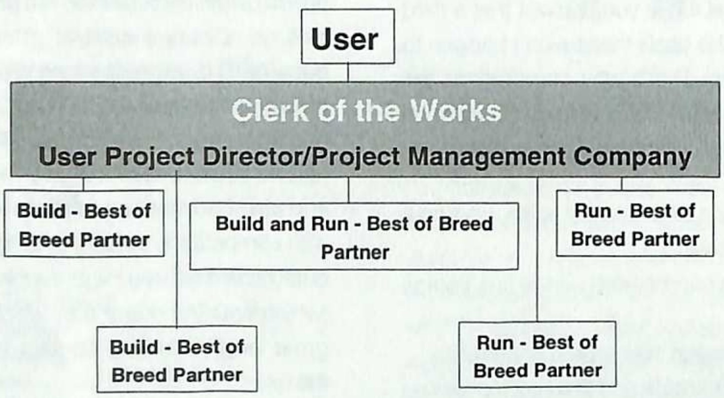
A NEW ORDER

But there is another way. Indeed it is not even a new way. It is the method which has been used for a long while in civil engineering and construction works.

1 – The User plays a major, lead role in the project - through Design Build AND Run. If your reaction to this is, *"Well, don't they at the moment?"*. The answer is often "No".

2 – The User employs top level managers specifically to provide this project management. We will call this by the old-fashioned title *"Clerk of the Works"*.

3 – Alternatively – and increasingly – the user employs a specialist project management company. There are many of these in the construction industry. Indeed, in IT there are new players like **Hedra** emerging with just this aim.



4 – 'Best of Breed' companies are selected to provide the build expertise and resources required. Now 'Best of Breed' is an oft-used term in the software products sector where many (including us) are predicting difficult times for the mid-sized players. But, 'Best of Breed' can also be applied to the IT services sector too.

The Consignia (or shall we call you Royal Mail?) contract (actually it's still an unsigned prospective contract at the moment) is an excellent example.

Initially Consignia had wanted a 'Big Bang/One Prime' mega deal. But now a 'Best of Breed' consortium is proposed. **Xansa** doing the Application Management (where they are the UK market leader), **CSC** doing the IT infrastructure, BT **Ignite Solutions** doing the network management (where they are the UK market leader). Other suppliers are involved too. Each supplier will retain a strong relationship with Consignia. Consignia will not have *"all their eggs in one basket"* which should make renegotiating the contract easier when the time comes around.

This month the new NHS IT supremo – Richard Granger – stated very clearly that he wasn't going down the one (or even two, three or four) mega supplier route for the £5bn+ that was to be spent over the next three years. Granger reinforced many of the points in this article and himself suggested that the IT industry should talk to the likes of Bectels, Brown and Roots about learning lessons from project management in the civil engineering sector.

IMPLICATIONS

If my arguments prove persuasive, the implications – and opportunities – for many of our readers will be considerable.

Many mid-sized companies harbour ambitions to become mega one source suppliers. To do this they are planning moves into BPO and certainly aim to expand the width of the services they can offer.

This is both high risk and highly expensive.

And it might also be against the trend.

We suggest that you:

- Stick with what you are best at. When did Holway advocate anything other than *"Sticking to the Knitting"*?

- Strengthen your 'Best of Breed' credentials. Become 'The Partner of Choice'

- Forge strong relationships with complementary suppliers who are 'Best of Breed' in their sectors.

- Embrace consortium bids. Often your partners will be different bid-to-bid.

- The best of all worlds is to become a consortium member on more than one bid for the same contract! We met several 'Best of Breed' suppliers this month that were in exactly that enviable position – and they were thriving in a market where others were failing.

MEGA OPPORTUNITIES

The real threat, perhaps, is to the current 'mega' one source suppliers.

They have already turned defensive and some are currently suffering badly.

If our predictions are correct there is worse to come for them.

For those embracing the new order, it is the *opportunities* that could be *mega*.

CLASS OF 2003

In January, we attended BETT 2003, an annual exhibition showcasing software and IT for the education sector. The list of exhibitors reads like a who's who of the S/ITS industry – giants like **IBM**, **Microsoft**, **HP**, **BT** were out in force; so too were education specialists **RM**, **Ramesys** and **SiR**. Other software vendors with a role to play in the sector were there, such as **Surfcontrol** (internet access and monitoring obviously an important issue for schools), and **DRS Data & Research** (providers of examination processing software).

What did surprise us, however, was the presence of many, niche *private* companies, especially software firms. The business services firms (including **Capita** and **Serco**), were also there, promoting finance, facilities management and HR systems. Pretty much everyone wants a slice of the action!

And no wonder: *public sector IT is the one bright spot on an otherwise decidedly gloomy IT landscape.* In our latest *Market Trends Report* we estimated that the market for software and IT services in the UK public sector was worth c£4.8bn in 2002. This figure is forecast to rise to £6.3bn by 2005, by which time the public sector will account for more than 25% of the S/ITS market. That means it will be worth *more* than the market for software and IT services within the finance sector! With an average annual growth rate in excess of 9% between 2002 and 2005, the public sector is by far and away the fastest growing vertical market for the S/ITS industry.

Charles Clarke, minister for education and skills, attended BETT where he announced some additional funding for ICT. Measures included a further £80m in electronic learning credits (for educational software and online resources), bringing the total to £300m (£100m in fiscal years 2004, 05 and 06). Further spending plans were revealed including £195m towards laptops for teachers and £358m towards providing broadband access in all schools by 2006.

But, as we have commented on a number of occasions, just because funding for IT is made available, that's not the same thing as actual expenditure!

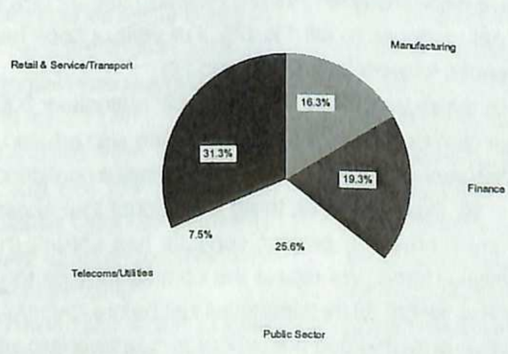
An article in the Times Educational Supplement (TES) (3rd Jan. 03) picked up on the plight of small educational software publishers, many of whom are not seeing the benefit of increased funding. Indeed the launch of the Government's Curriculum Online initiative seems to have created confusion - some schools are not clear as to what the money can be spent on – and this has led to delays in decision-making.

The article in TES commented that many small education software vendors had seen turnover drop by between 60% and 80% in the last quarter of 2002, as some schools stopped spending on software in anticipation of new funding from the Department for Education and Skills (DfES).

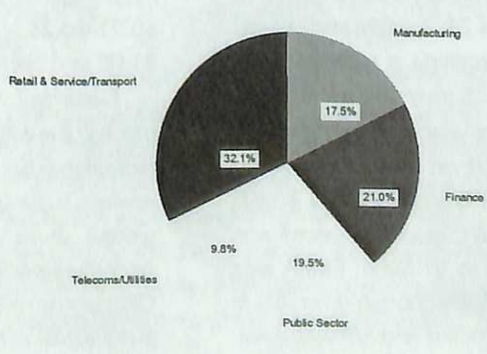
The situation is further complicated by recent Government approval for the BBC's Digital Curriculum proposals. Digital Curriculum is a "*learning resource*" aimed at teachers and students, and the BBC intends to spend £150m developing materials that will be *free* to schools. Admittedly the BBC has agreed to spend £45m commissioning content from the private sector, but its proposal to enter the market is seen by many educational software vendors as a serious threat. Some of the smallest companies fear that it will drive them out of business.

So, despite increased government funding, some suppliers to the education sector are not finding it easy.

UK S/ITS market breakdown by industry, 2005



UK S/ITS market breakdown by industry, 2001



INDIAN PLAYERS STILL GROWING

Top-tier Indian offshore player **Infosys** stormed ahead in its Q3 with revenues for the three months ended 31st Dec. 02 up 45% to $200m. Operating income grew 25% to $57.3m (yup, a 28.5% margin) and pre-tax income rose 31% to $64.2m (32% margin). EPS grew 26% to $0.39. In the year-to-date (9 months), operating margins were 33% and pre-tax margins were 35%. They also added 23 new clients (including US pharma giant Bristol-Myers Squibb) and 1,133 (gross) employees. Infosys is forecasting full year revenues around $740m, which would represent c35% growth on the year. And there's plenty of cash in the bank, too – over $300m.

Meanwhile, Infosys' archrival **Wipro** has reported that their IT services revenues for the three months to 31st Dec. 02 rose 23% to $154m although profits (well, EBITDA, anyway) only grew 3% to $44m (still a 28% margin, though). Tough competition had pushed down fee rates by 9.4% on offshore projects and 7.7% for onsite projects compared to the previous year, although prices have since stabilised for offshore and in fact increased 2.5% for onsite. Revenues at Wipro's IT enabled services' (i.e. BPO) business was $11.6m but this fell short of their $12.5m target.

Much smaller **Mastek** (**Capita**'s long-time partner) saw revenues rise an impressive 45% to c£25m for the six months to 31st Dec. 02. Net profit rose 147% to c£4.5m - a 18% margin. We estimate that turnover from work undertaken in the UK wasc55% of the total. Mastek also announced it is planning to move into the 'IT enabled services' (i.e. BPO) market. Mind you, Capita doesn't have much to worry about when Mastek ventures into the BPO space as they can be sure that the Indian player will not wish to bite the hand that feeds them. Indeed, this move could open up further partnership opportunities between the two companies that might eventually extend beyond Mastek just providing application services to Capita. After all, Capita is always on the lookout for ways to reduce its service delivery costs and there must surely be some of its back office BPO services that could be performed cheaper offshore.

Meanwhile, **Satyam** – another member of the Indian 'gang of five' – has announced an alliance with ailing ERP vendor (and **Invensys** subsidiary) **Baan** for the Indian and ASEAN (Association of SE Asian Nations) region. Hmmm. Sounds like they may be hitching their horse to a broken wagon.

Comment: Overall, the leading Indian players are growing much faster than the rest of the S/ITS industry almost anywhere in the world, including here in the UK. However, not even the Indian players have been immune from pricing pressures, which is kind of ironic as they are somewhat 'to blame' for the continuing decline in fee rates. But it looks like at least Wipro has arrested the decline and 'normal service will be resumed' (they hope). By the way, the inclusion of some of the offshore players in the recent FT "Hundred Most Respected Companies" list just proves that they (at least the big guys) really are 'legit'. Where will it all end? See this month's front page article and, of course, there's much more in our new Offshore Services report!

ACCENTURE LOOKS TO 'FLAT-AND-A-BIT' YEAR IN 2003

Accenture saw headline revenues for its first quarter drop 2% to $2.93bn in the three months to 30th Nov. 02. However, operating income rose 3.6% to $429m (14.6% margin) and pre-tax income received a massive 34% boost to $433m mainly because Q1 for the prior year was depressed by a $95m hit on investment write-downs. EPS rose 35% to $0.27. Among the regions, Americas was down 3% to $1.39bn, EMEA was flat at $1.33bn (though down 6% in local currencies) and A/P was down 6% to $207m. Business line results were interesting as revenues in Comms & Hi-Tech actually rose 12% to $830m. The only other riser was Government (no surprises there, then) up 7% to $359m. Financial Services revenues fell 7% to $602m. Accenture CEO Joe Forehand *was "cautious about the outlook because the economic and geopolitical climate remains unstable"*. Accenture anticipates Q2 EPS at around $0.21-$0.25 and net revenues to fall 1%-6%. Full year outlook has EPS at $1.05 and net revenues to grow between 0 and 2%.

Comment: Accenture's essentially 'flat-and-a-bit' outlook for 2003 seems much in line with our own forecasts, but apparently they also advised of a 27% reduction in bookings year-on-year, which hardly increases confidence for any revenue increase at all. Despite all this, there is no doubt that Accenture has gained share as the market for project services has shrunk more than Accenture's 2% revenue drop. We repeat the comment made to us by the CEO of one of Top Five global S/ITS companies just before Christmas: *"2003 is not a year of revenue growth. 2003 is a year of competitiveness and market share"*.

TIME TO GO PRIVATE?

Highams Systems Services (an ITSA focusing on the financial services sector, with a small factoring solutions operation) announced interim results for the six months to 30th Sep. 02. Turnover has fallen 42% to £5.6m, LBT has 'improved' from £370K to £212K, and loss per share has reduced from 1.83p to 1.09p. Commenting on the outlook, Nigel Graham Maw, Chairman, said, "*As the board does not foresee any significant improvement in market demand in the sector for the time being, we will continue to maintain tight control over cash and overheads...the world factoring market has continued to expand substantially in the current climate...which the board anticipates will be reflected in the group's results for the second half of the year*".

Comment: It was Highams' core ITSA business that really bore the brunt of the revenue decline, with turnover in the period down c44% to £4.9m. The UK ITSA business was reported to have made a "*modest*" operating profit, which is pretty good going in the current climate. However the Dutch operation showed a "*small*" operating loss.

Meanwhile revenue generated by Business Solutions (proprietary factoring software) dropped c19% to £0.7m, and operating profit, before share of head office costs, fell sharper, to £0.2m. Since the half year Highams says it has signed up an "*important*" new licence sale with a major bank but as no value was given we cannot tell how this will impact revenues for the full year.

With a market capitalisation of just £1.7m (as at end Jan. 03), you have to wonder whether it's worth Higham's while continuing as a public company. Indeed Highams, along with a number of other quoted ITSAs, is now valued at less than its net current assets (£2.0m).

EASDAQ-listed ITSA Michael Bailey Associates (MBA) went private in Dec. 02, when founder (and majority shareholder) Michael Garlick made a cash offer for the company. However unlike Highams, which has been loss-making these past three financial years, MBA was profitable!

With over 50% of Highams shares in the hands of founder and non-exec director John Higham, and Group MD Ted Andrews, and no 'significant' holdings by institutional investors, going private would be fairly straightforward. The only other sensible alternative would be to find a buyer interested in picking up a niche ITSA operation...

Highams Six months to 30th Sep	Turnover £m			Operating Profit £m		
	H1 03	H1 02	Change	H1 03	H1 02	Change
Continuing Ops:						
Recruitment services	4.9	8.7	-43.9%	0.2	0.5	-54.1%
Business solutions	0.7	0.9	-19.3%	0.2	0.3	-35.6%
Discontinued Ops						
Consultancy		0.1			-0.3	
TOTAL	**5.6**	**9.7**	**-42.2%**	**0.4**	**0.5**	**-15.9%**

**before share of head office costs*

SERVICES MITIGATES FALLING LICENCE SALES AT SABA

US-based learning management system (LMS) vendor Saba has reported Q2 results. Turnover for the half year to 30th Nov.02 was down 15% to $24.2m, but this masks the difference in performance between licence revenue (down 28% to $9.9m) and services revenue (down 'only' 4% to $14.3m). Operating losses reduced from $17.8m to $9.8m and pre-tax losses fell similarly. Saba CEO Geno Tolari is "*committed to return to profitability as quickly as possible*".

Comment: LMS is sort of ERP for enterprise skills management and was all the rage in the e-learning space during the dot.com boom. Nowadays it's an 'acronym non grata' as Saba calls itself "*the leading provider of Human Capital Development and Management solutions*", while archrival Docent is "*the premier provider of business performance management solutions*". We think LMS is less of a mouthful - and a somewhat more accurate description of their core businesses. After all, Saba's product manages learning, content, performance and "*related professional services*".

But isn't it interesting that Saba is now generating almost 60% of its revenue from services. Docent is close at just over 50% on total revenue of $14.7m (in the six months to 30th Jun. 02). Both players have improved their cash position (Saba by 24% to $27.5m and Docent by 26% to $36.6m) so look OK for a good while. The real problem is that enterprise LMS has only a very limited market and even more limited priority in the minds of corporate executives while they have their thoughts focused on cutting costs rather than measuring skills and training. Nonetheless, these products serve a purpose in their niche - which is about where they will remain.

THE IPO THAT COULD HAVE BEEN

The last main market UK S/ITS IPO was **Detica** on 25th Apr. 02 at 400p. Detica went on to produce maiden results in line with (actually ahead of) expectations. Detica ended 2002 down just 10% compared to a 34% decline in our S/ITS index in the period. Whichever way you look at it an impressive performance.

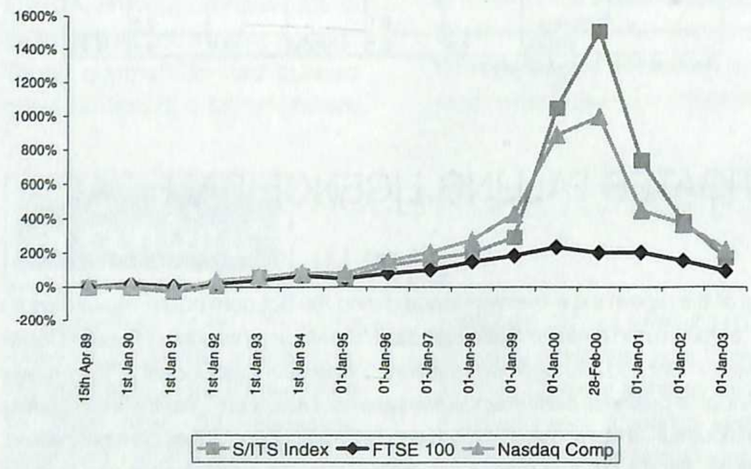
But we could have been praising at least one other S/ITS IPO too. A the end of Jun. 02, Civica was in the very last stages of its IPO process. But S/ITS share prices were continuing to dive along with overall sentiment towards the sector. On the advice of Investec, the IPO was pulled at the last minute.

On 11th July 02 in Hotnews we wrote:

"Civica is a 'pure play' provider of S/ITS to the public sector (LAs, healthcare, police forces, education). They are part of (around 45% of) the ***Sanderson Group*** *which was an Alchemy-backed MBO in late 1999 - close to the zenith of valuations in the sector. Latest results to 30th Sep. 01 show revenues up 16% at £73.5m, operating profits of £6.2m and PBT of £6.0m - a very healthy 9% margin.*

"Although not formally stated, the expectation was for a valuation of around £80-£85m implying a P/E of around 16-17. I.e. pretty much in line with where Detica had settled in May.

"Civica told us that they had made 40-50 presentations to institutional investors. They seemed to have received a good reaction to the company and its prospects... but there was little interest in the sector and no one was really sure what valuations should be applied to the sector. Sentiment really is totally against S/ITS at the moment."



So Civica continued as an operating entity within the Sanderson Group. We have just received their results for the year to 30th Sep. 02 and they, just like Detica, would not have disappointed the market either. Indeed, Civica's revenues grew to £86.7m and operating profits to £8.15m – both exceeding the forecasts contained in Investec's briefing paper of 17th May 02.

Sanderson Group consists of:

- Civica: public sector software and IT services
- Talgentra: billing and revenue collection system solutions primarily to utilities, public sector, finance and comms
- Sanderson: ERP systems with a customer base of around 500.

Talgentra did particularly well to boost its operating profits by 10% to £4.4m. But Sanderson (the ERP operation) saw revenues dip by 9% to £20m and operating profits were also down 6%.

Overall the Sanderson Group increased revenues – all organically – by about 8.5% to £119m. Group operating profits improved by 13% to £15.2m. On the basis that 'Cash is now King again', we were particularly impressed with Sanderson's £17m cash flow generation. Mind you, they needed it to pay the bank and loan interest on the funds used to finance that MBO back in 1999. Had the IPO gone ahead, of course such interest payment would not have continued to be required and those funds would have accrued to the 'new' shareholders' benefit.

FUTURES?

Although Sanderson Group has clearly done well in the difficult market conditions of 2002, if you buy our forecasts (and most now do!) they will face an equally challenging 2003. Civica is in one of the few growth areas of the IT market (public sector) and should continue to do well. As should Talgentra. Both will probably have problems expanding margins still further as, at Civica, the IPO meant running a pretty tight ship anyway and Talgentra already makes the kind of 30%+ operating margin which most in the industry would die for. Sanderson (ERP) faces the most difficult task as it is a small player in a highly competitive and somewhat troubled sector. The market is swinging away from the smaller players in favour of a few very large global players. Sanderson

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chance of competing here and might be better off looking for a new parent.

Sanderson Group had already faced separating Civica from the group – which is what would have happened if the IPO had proceeded. There seems no reason why Talgentra should not also be viewed as an independent operating unit. After all, there seems to be few shared customers or technology between the units. But, let's face it, all three of these units lack the 'critical mass' that we believe will be increasingly important in the market conditions which lie ahead.

We don't see the IPO scene bouncing back in 2003. Maybe there will be new IPO opportunities in 2004... But bluntly, we see the exit for Alchemy, and the other Sanderson Group shareholders, more likely coming from three separate trade sales.

-13%
244p

COMPUTACENTER: SERVICES ARE CORE FOR GROWTH

Reseller **Computacenter** (CC) has issued a pre-close trading update stating that it expects to maintain PBT at least at last year's level of c£51.1m. Trading for the year *"has ended satisfactorily"*. Managed services has continued to grow and they have seen *"good levels of utilisation"* in Professional Services. CC expects to produce bigger profits in 2003 *"provided (its) markets remain stable"*.

Not surprisingly product sales were down overall on the year (although marginally up on H2 01) – Sun was *"awful"*, Microsoft *"had a very strong year"* and *"PC products were more robust than enterprise products"* (the only exception was IBM's enterprise products).

Services, the *"most important part of the business to grow"*, reported continued growth. The managed services contract base grew by 39% (helped massively by the BT contract), and professional services grew 10%.

The company has continued to maintain a tight control on costs, with the overall cost base down. Headcount has been reduced *"without recourse to exceptional costs"*.

By sector, the situation is very much as it was at the interim results announcement in Sep. 02. Government was *"good"*, Commercial and Telcos *"mixed"*, Financial Services *"poor"* (although CC is seeing increased demand for managed services from this sector) and investment banking *"very poor"*.

There is room for improvement from its European operations. France reported double digit revenue growth but its cost base is still out of kilter, hence its overall performance is *"below expectations"*. However, with some fine tuning, Norris was confident that the French business can be improved.

The German acquisition of GE Computnet, completed on 2nd Jan. 03, is expected to be only *"marginally earnings enhancing in 2003"*. We were sceptical about the acquisition but Norris affirmed that it was a *"sound business"* and importantly provides CC with Pan-European positioning with key vendors. Ideally Norris would like to implement a distribution channel alongside the German reseller business (as in the UK), but acknowledges that this is not easy to do.

Norris also touched upon the relationship with HP, following the HP Compaq merger. He said he was *"delighted with where they are"* but acknowledged that *"substantial uncertainty still remains"*. CC's total HP business is expected to be worth c$1bn in 2003, so there is strong mutual reliance. But there is also a strong element of competition, as the companies compete against one another in the managed services space. Norris said *"surprisingly"* this hasn't been an issue to date in the UK, but there is competition between the two in Germany. As both companies seek to increase their respective managed services revenues, things could get interesting. ...

Overall, the update confirms what we've been saying all along: (1) Resellers will need to rely on their services business to get any sort of growth, and (2) It is possible to make very acceptable profits if you cut costs to meet current demand. 'Stable markets' might be a bit much to ask for, though otherwise, this is good news.

-15%
4p

GLADSTONE PUTS ITS HOUSE IN ORDER

Gladstone, provider of software for the leisure sector, has announced its preliminary results for the 12 months ended 31st Aug. 02. Turnover from continuing operations inched up 1.2% to £8.6m. (On an annualised basis revenues increased 17.5% relative to £8.5m for the 14 months ended Aug 01). LBT 'improved' to £1.7m from £16.3m, as did loss per share, which went from 47.45p in 2001 to 4.52p in 2002.

Commenting on the outlook, Ben Merrett, CEO, said, *"The Group is in a*

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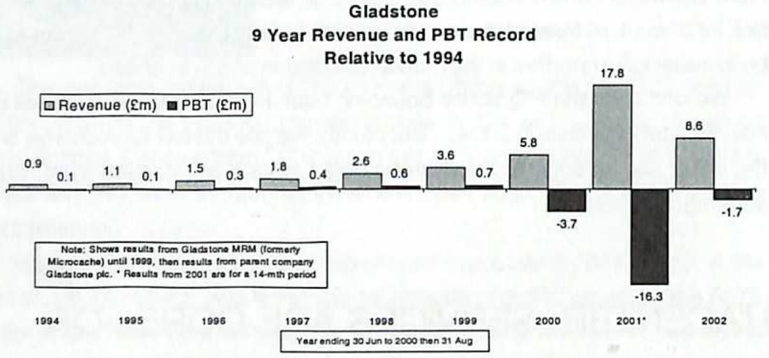

stronger financial position than we were 12 months ago. Our dedicated presence in the well-funded UK local authority market should continue to serve us well. Our high base of contractually committed and recurring revenues should enhance our competitive positioning if the general economic slowdown continues. With shareholder support, we may be able to considerably strengthen through acquisitions".

Gladstone has had a very busy year getting its house in order. When the new Board took control there was £101K of cash and the Group was losing c£200K a month (before amortisation) and it had, in addition to other debts, over £1m one-off contractual commitments, some of which were pursued through legal means. By the end of Jan. 03, the Board expects nearly all of these contractual commitments to have been settled.

Unfortunately the matter relating to the payment of PAYE and National Insurance on the exercise of some of the former Director's share options, "*is still being discussed with the Inland Revenue*", but doesn't seem to be proving to be too much of a distraction. Back at the interims in April, Gladstone reported a possible liability for tax on share options exercised by the previous Chairman and FD, prior to the de-merger of its e-learning operations (**Transware**) in 2001. Gladstone made a provision of £180K to cover the potential liability.

Gladstone still needs to secure Group profitability but losses have been significantly reduced and the company is achieving monthly breakeven before goodwill amortisation and exceptional costs. Annual recurring maintenance revenues "*have grown steadily through the year*" accounting for 25% of turnover, and revenues from professional services "*more than doubled*" and now represent 20% of income.

Looking ahead the company states it will seek acquisition opportunities as well as organic growth. To this end resolutions will be proposed at the AGM to grant the board of directors rights to issue shares in connection with any acquisition.

Gladstone supplies both the public and private leisure sector (although it doesn't provide a breakdown of its public/private sector revenue) and should be well placed to benefit from the e-government targets. So far, so good.

EXPERIAN BUYS MORE WOOL FOR THE KNITTING

GUS credit services subsidiary (and BPO unusual suspect) **Experian** has had a pretty solid Q3, according to their latest regular trading update. Total revenues rose 7% (12% at constant exchange rates) in the three months to 31st Dec. 02 with the UK business far and away the star at 15% growth (all organic). In other regions outside of the US "*outsourcing sales were ahead of last year, although impacted by a slow quarter in French cheque processing*". Experian also announced the acquisition of Nordic consumer credit bureau **Nordic Info Group A/S** for £90m cash. NIG had annual sales of c£30m (wow - a 3x PSR!) and should be "*immediately earnings enhancing*". Experian CEO John Peace "*looks forward with confidence to the remainder of the second half and the coming year, while remaining mindful of the potential impact of economic and political uncertainty*".

Just a couple of days after reporting these results, Experian announced it is to take over **Atos Origin**'s document management and cheque processing activities. The deal is subject to approval by the French government. No terms were disclosed, but the DMS business, as it is known, operates 18 sites in France and employs around 1,000 staff. DMS processed more than one billion items in 2002 and its annual turnover is around Euros 60m.

Comment: Had the "confidence" word come from some other companies we would have been rather nervous, but Experian has been showing steady, profitable growth as it continues to snap up credit bureaux around the world (they now have 11). This gives them the springboard to cross-sell their other business and BPO services such as application processing, fraud prevention and CRM. However, the acquisition DMS, which looks great in theory (both Experian and Atos Origin sticking to the knitting), seems unfortunately timed given the downturn in Experian's cheque processing business in France.

HIGGS REVIEW COULD SHAKE UP S/ITS BOARDROOMS

Derek Higgs' proposals for the reform of the role of non-executive directors and tighter corporate governance will send tremors reverberating through many S/ITS company boardrooms, but it may take several years for the full effect to be felt.

The reforms, designed to strengthen corporate governance in the wake of Enron and WorldCom, will see more truly independent non-execs, drawn from a much larger pool of experience, acting as a check against the power of executives. No longer will the boardroom be an Old Boys Club for semi-retired executives or exclusively the preserve of ageing white men... at least that's the theory.

The proposal likely to cause the largest shockwaves through the industry is that at least 50% of non-executive directors (excluding the chairman) should be independent with *"no relationships which could affect, or appear to affect, the director's judgement."* The resulting demand for non-execs will be huge, while the pool of qualified people is comparatively small.

And even those 'qualified' non-execs will think long and hard before taking on the risks involved – who would want to spend their summer appearing in front of the SEC (as Lord Wakeman did at Enron) or being personally sued (the fate facing NEDs at Equitable)?

The result is bound to be higher rates - the rewards currently paid to non-execs do not justify the risks (at an average of c£30K p.a. for a FTSE 100 company they sometimes don't even cover the cost of personal liability insurance!). Limiting the number of non-executive positions an individual can hold to five will also increase fees – this proposal alone is expected to push the average fee for a FTSE 100 NED to £70K p.a.

Scores of UK S/ITS companies currently fall foul of Higgs' most headline-grabbing proposals: that no individual should chair more than one FTSE 100 company and that former chief executives of a company should not become its chairman.

Witness Lord Marshall, chairman of BA and **Invensys** and Sir Ian Robinson, chairman of unusual suspect **Amey** and the Hilton. Higgs is not, however, trying to stop the 'business angels' who do a valuable job of chairing several smaller companies or start-ups. Bob Morton (chairman of **Systems Union, Clarity Commerce Solutions, Harrier Group, BSoftB** and **Baron Corporation**) and John Leighfield (chairman of **RM, Synstar** and **Minerva Computer Systems**) are safe for now.

Then there are those executives that have slipped into the role of chairman at their old company – **Xansa's** Hilary Cropper, Bob Lawson of **Hays** and Keith Burgess of **QA** for starters.

Some companies still contravene proposals made by Adrian Cadbury in 1992 by effectively combining the role of chief executive and chairman. **Autonomy's** Michael Lynch, **Dimension Data's** Jeremy Ord and **Misys'** Kevin Lomax, for example.

Others are slowly falling into line. **London Bridge**, for example, split its chairman and CE roles in Jan. 01 with Gordon Crawford remaining CE and Jon Lee, COO, taking the chairman's role. And although Lomax continues to hold the dual role of chairman and chief executive at Misys, he has hinted that he may relinquish the CE role to one of the newer board members.

WHO MIGHT HIGGS' REFORMS IMPACT?	
More than one chairmanship	
Lord Marshall	Invensys, BA
Sir Ian Robinson	Amey, Hilton
Bob Morton	Systems Union, Clarity Commerce, Harrier Group, BSoftB, Baron Corp.
John Leighfield	RM, Synstar, Minerva Computer Systems
Chairmen at companies where they were executives	
Hilary Cropper	Xansa
Bob Lawson	Hays
Keith Burgess	QA
Companies effectively combining CE & chairman	
Michael Lynch	Autonomy
Jeremy Ord	Dimension Data
Kevin Lomax	Misys

In practice, the Higgs reforms - to be incorporated into the revised Code of Corporate Governance that comes into effect on 1 Jul. 03 - are voluntary and companies can choose to explain themselves rather than comply. At any rate, changes will not be made overnight. Higgs himself said the reforms should not be applied retrospectively and that many of the recommendations would take *"some years"* to be adopted.

The effect of the new Code will be felt gradually as companies appoint new chief executives; chairmen; and non-executive directors... watch this space!

1%
177p

MISYS: TAKING THE NECESSARY ACTION

Misys announced its results for the six months to 30 Nov. 02.

The highlights are:

- Revenues are up 10% from the same period last year to £517m thanks to acquisitions. Excluding acquisitions, revenue fell 4%.
- PBT, after goodwill amortisation of £31m, was £25m compared to £2m in H1 01.
- Diluted EPS also improved to 2.6p from last year's loss per share of 0.1p.
- Net debt decreased by over £80m to £176m.

Divisional performances were varied:

The Banking and Securities division *"put in a resilient performance"* but reflecting the *"tough trading conditions in banking software markets around the world"* revenue's dropped 9% to £140m. Adjusted operating profit of £27m was broadly in line with last year, but margins improved a point to 19%. Initial Licence Fees (ILF) continued to fall, down 5% on the comparative period last year. The lower level of ILF revenues over the past 12 months slowed the growth in maintenance revenues, which at £61m were just 2% ahead of last year. Professional services suffered the most, down 21% to £37m. As a result of current conditions the company plans to axe a further 300 jobs, primarily in professional services. (This comes on top of the 300 that were laid off in 2001). Redundancy costs are expected to total £6m and will be charged against operating profits in H2. On the outlook, Lomax commented *"While there is no evidence yet of a recovery in market conditions, we believe that IT budgets in banks for third party software, are unlikely to fall further"*.

Demand for **Healthcare Systems** remained strong, total revenues rose 22% to £148m, at constant exchange rates and excluding the additional two months for Sunquest, revenues grew 9% and operating profit 5%. Like for like ILF order intake was up 18%, with recurring revenues registering a 9.5% increase to £92m (62% of total revenues). The division is expected *"to make good progress"*.

Total revenues at the **Financial Services** division rose 17% to £229m aided by the DBS acquisition. On a like for like basis life and pensions revenues were down 8% - but margins and operating profits were higher, helped by funding to the AssureWeb portal, a change in the pricing structure and the development of new services and revenues. An IPO is still on the cards for next year. The General Insurance business *"performed well during the period"*. The financial performance of the business is expected *"to stay well ahead of last year"*.

Commenting on the results Kevin Lomax, Chairman and CEO, said: *"Despite continuing difficult market conditions throughout the first half of the year, the Group's trading results improved. These solid results derive from the essential nature of the markets we serve, the strength and diversity of our business activities and the skill and commitment of our experienced management teams."*

Misys Six months to Nov. 02	Turnover £m			Operating Profit £m			Margin	
	2002	2001	Change	2002	2001	Change	2002	2001
Banking & Securities	140	152	-7.9%	27	28	-3.6%	19.3%	18.4%
Healthcare	148	121	22.3%	23	20	15.0%	15.5%	16.5%
Financial Services	229	196	18.0%	18	11	63.6%	7.9%	5.6%
Group				-6	-7			
TOTAL	517	469	10.2%	62	52	19.2%	12.0%	12.0%

Comment: The banking division really has taken a hammering over the past couple of years. It was Misys' largest division in terms of revenue (that accolade now goes to the healthcare division) but it is still the biggest contributor to profits. At the time of its interims last year, Lomax expected that banking market would start to pick up around H2 02, as customers ceased deferring IT spending decisions. Clearly that upturn hasn't yet happened and its difficult to say when the banking markets will pick up. At Computacenter's pre close update Mike Norris commented that the rate of decline was slowing down, but there was no sign of actual growth yet.

Thankfully Misys hasn't rested on its laurels. It stripped out costs last year and has announced further headcount reductions (approximately 10%) this year. The company also increased the price of its solutions, although Lomax was very coy about giving away any actual details. Clearly its revenue model is also helping to sustain Misys during this period. Recurring revenues accounted for 73% of total turnover, this level of customer lock-in provides Misys with a huge degree of cushioning. The result of these actions is that Misys did manage to record organic profit growth.

Looking to the future, Ivan Martin, Head of Banking, reported that Misys wants to develop its professional services business - which flies in the face of the recent bout of significant cutbacks in that area. But Misys has never been afraid of about-turns; as witnessed by its retreat from the education market and the intended IPO of the financial services division. Martin believes that Misys is missing out on a £40-50m revenue opportunity as the company often *"left services on the table for third party providers to pick up"*. In the future the

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company wants to take more of a prime contractor role, i.e. take responsibility for the integration as well as the implementation of their solutions. Misys couldn't do this with its current skill base, which was also too expensive compared to locally based competition. The new look professional services arm will have a broader skill set and be locally based (i.e. cheaper). We've often said that services can generate more than 10X the revenue of the cost of the licence, so it makes sense for Misys to exploit the opportunity and further lock in the customer. But Misys shouldn't underestimate the enormity of the task ahead. It will require a significant change in mindset - Misys has never focused too much on utilisation rates etc. Also it takes time to build up a professional services division, selective acquisitions may be on the cards.

"*Where Misys goes Microsoft follows,* said Lomax when he announced the welcome news that the dividend is up 15% to 2.12p - the 11th consecutive year of increases.

MICROSOFT MOTORS ON

Microsoft has announced its H2 results for the period ended 31st Dec. 02. Turnover was $16.3bn, up 17.5% on the comparative period last year. Net income rose 48% to $5.3bn.

The company attributed the growth to "*increased sales of Microsoft Xbox, recognition of unearned revenue from strong multi-year licencing in prior periods, and licencing of Microsoft Windows server and server applications*".

All of Microsoft's seven divisions delivered growth. The highlights include:

- Home and entertainment (where Xbox resides) recorded the highest revenue growth of 48% to $1.8bn (but that's still only 11% of total revenues) and the FT reports that this fell below expectations.

- CE/Mobility (includes pocket PC, Handheld PC) rose 40.9% to $39m (but less than 1% of total revenues).

- Server platforms (which includes SQL) rose 12.9% to $3.4bn, but its share of total turnover actually declined a point to 21%.

Despite Microsoft's plans to diversify into other areas, the desktop still dominates, accounting for 61% of total revenues.

By channel, Americas rose 8.9% to $6bn, EMEA was up 33.6% to $3.4bn and Japan and Asia Pac up 17.2% to $1.7bn, OEM rose 19% to $5.2bn.

John Connors, CFO, commented on the outlook, "*while we are very optimistic about the future of the technology sector, we do not expect to see a significant upturn in global IT spending in the short term*". The company also declared an annual dividend for the first time and approved a two-for-one share split on Microsoft common stock.

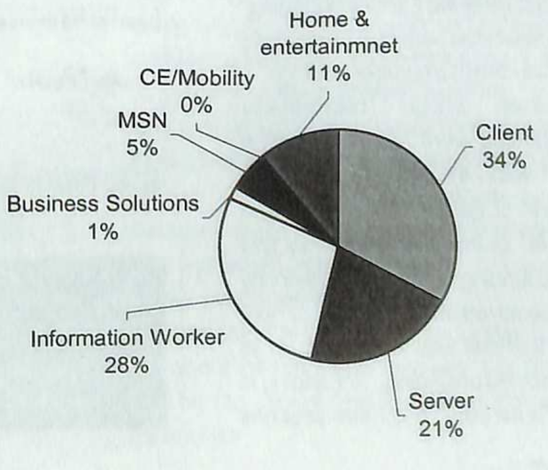
Comment: It's a solid set of results but don't forget Q1 benefited from the last minute surge from customers enrolling in its new licencing scheme. Looking at Q2 in isolation reveals that growth was much more muted. Total revenues rose 10% to $8.5bn (lower than most analysts had expected) although net income exceeded expectations with a 12% rise to $2.5bn. In the client division (desktop operating systems) revenues were static at $2.5bn. The cheesily named information worker division (standalone applications such as Office and Project) recorded an 8% rise in revenues to $2.3bn. Server platforms was 12% up on the comparative quarter in 2002. Microsoft's other divisions, CE/mobility, Business Solutions and MSN, all enjoyed double digit increases but these were from much smaller revenue bases.

We're pleased to see Microsoft is to implement its first dividend (though we think this announcement is long overdue). With a cash pile of c$40bn, Microsoft will hardly register the expected cost of $880m.

The results show that Microsoft still has some way to go to reduce its dependence upon the desktop platform, but significantly it has the funds to finance its ambitions. Microsoft is reported to make a $100 loss on the sale of each Xbox console and MSN is still loss making – few other companies can afford to subsidise their loss making divisions to this extent.

We still think that its forecast of c12-13% revenue growth for FY 03 is overly optimistic.

Revenue breakdown by segment H1 03
Total revenue $16.3bn



INVESTMENT DEALS DECLINE FOR EIGHTH CONSECUTIVE QUARTER

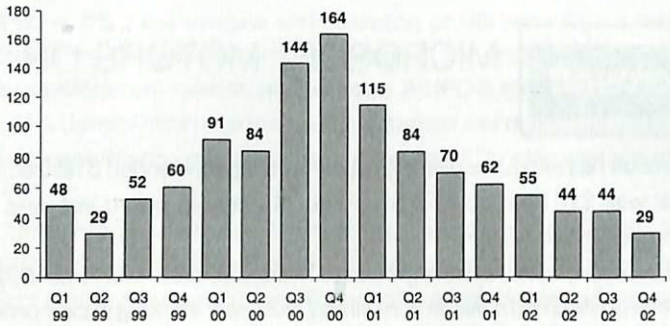
Cobalt Corporate Finance has just released its review of private equity funding of technology companies in 2002. The figures reveal that over the year 172 companies received venture backing, sharing just £792m of funds. This is a 60% drop on 2001 and well off the £4bn invested in the technology sector in 2000. Indeed, Q402 saw the volume of transactions decline for the eighth consecutive quarter. According to Cobalt, on average, the amount of money invested in each deal has fallen by 50%.

The data also reveals that there are now 200 active investors in the technology industry, compared to the peak in 2000 when there were 468. In 2002, the remaining investors tended to fund companies as syndicates rather than as sole investors, with 64% of deals syndicated.

In terms of who's attracting investment, the answer is software companies, which continued to receive an increasing share of funds. Indeed, the investment by TA Associates (a US-based private equity investment firm) in Sophos, a provider of anti-virus software ranked as the second largest deal of the year. Traditional software companies, i.e. excluding specialist software companies in the wireless, Internet and telecommunications sectors, received £200m of funding. If the specialist software companies are included this number doubles.

Later stage technology companies were also favoured in 2002, with 74% of funds invested in second or third round funding, and just 40 companies receiving first round funding. Indeed, the company that received the most investment over the year was Xchanging, in its third round of funding. Xchanging is the 'pure-play' business process outsourcing company set up in 1998 by David Andrews (ex-Andersen Consulting). General Atlantic Partners is Xchanging's sole investor and since the company's formation has invested over £110m in the business, including this latest investment of £50m.

Investments in technology companies in UK/Ireland (by number of deals)



Source: Cobalt Corporate Finance

Stuart McKnight, Director of Cobalt Corporate Finance, commented, *"As always, experienced management with differentiated technology aimed at attractive markets will get funded, however the process will take them longer, they will need to know who to talk to, and their proposition will need to be especially compelling if their sector is out of favour"*.

The *Industry Trends Update* report has now been published (part of the Holway@Ovum service) and looks at how the factors influencing investor sentiment have changed over the last six months.

Top ten deals in technology companies in 2002 (30% of total funds invested)

COMPANY	DESCRIPTION	INVESTOR(S)	SIZE (£M)
Xchanging	Business process outsourcing for the IT & Communications sectors	General Atlantic	50.0
Sophos	Anti-virus software	TA Associates	41.0
Clearswift	E-mail and content security providers	Kennet Capital, Cazenove, Bank of America, Amadeus	28.0
Snell & Wilcox	Digital image processing technology for broadcast, television and film industries	Advent Venture Partners, Royal Bank of Scotland (Debt)	23.0
Ocado	Online home grocery retailer	John Lewis Partnership, UBS Warburg	20.0
WCI Group	Consulting and Technology Services	ECI Ventures, HSBC (Debt)	18.0
Alan Dick & Co	Antennas for wireless networks	Lloyds Develeopment Capital	17.5
Radiant Networks	Wireless Broadband Telecom Equipment	Advent Venture Partners, Sandler Capital, Intel Capital	16.0
Bowman Power	Micro-turbine system manufacturer	Lehmen Bros, OPG Ventures, 3i	15.0
Synad	Low cost CMOS chipe for the wireless/networking market	Alta Partners, Alta Berkeley, Celtic House, nCoTec, Rendex Partners	13.2

Source: Cobalt Corporate Finance

Cobalt Corporate Finance

Cobalt Corporate Finance specialises in providing corporate finance advice to Technology and Media companies on fund raising, sales, acquisitions & MBOs, and financial strategy. We would like to thank Cobalt for providing us with the data on private equity funding in the technology sector.

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Capita Group	Aurora Corporate Services Ltd	Support services to the insurance sector	100%	n/a	As part of the arrangement, Aurora's 5-year multi-million pound contract with the Joint Provisional Liquidators of Independent Insurance, to administer run-off services, will transfer to Capita. No consideration was given, but Capita did state the deal was for cash.
Capita Group	Administration Services Division from BWD Securities	Share registration, unit trust administration and other services	100%	c£18.5m	Capita acquired the 3 companies (Northern Registrars, Northern Administration and Connaught St Michaels) for cash. They will be integrated into Capita Registrars and Capita Financial. 130 employees are to transfer. Capita expects the transaction to be earnings enhancing in the first year.
Futuro Group	Amey Resource Management	ITSA division of Amey plc	100%	max £1.65m	Futuro paid £1.4m up front, with the balance due end Apr. 03 subject to certain contracts being retained. Amey had earmarked its (non-core) ITSA division for disposal, so the sale came as no surprise.
MBO	Anite Consulting GmbH (ACG)	German ERP consultancy	100%	nominal sum	Anite disposed of its loss-making German subsidiary to the management for a nominal sum. ACG employed c130 people. Net loss on disposal, including goodwill written off, is c£14m.
Sage Group	Concept Group	French financial s/w company	100%	max £6.5m	Concept provides treasury, cash management and financial consolidation solutions for SMEs. Turnover in the year to 31st Dec. 01 was £9.7m , so the PSR works out at 0.67.
Tribal Group	Kingsway Advertising Holdings Ltd	Supplier of recruitment advertsing to the health sector.	100%	max £14.4m	Tribal descibed Kingsway as *"the largest independent supplier"* of recruitment advertising to the health sector. The initial consideration of £10.2m was satisfied by £9.4m in cash and the rest in shares. The deferred consideration is based on growth in Kingsway's OP in FY 03 and 04. Kingsway's turnover in the year to 30th Apr. 02 was £27.2m - making a PSR of 0.53.
Tribal Group	Action Medical Ltd	Supplier of *"allied health professionals"* to the health service	100%	max £9.1m	Action Medical supplies therapists to the NHS and private health sector. It turned over £4.6m in the year to 30th Sep. 02, making a PSR of 2. Again the deal included a deferred element (£5.75m) based on growth in OP in the four years to end Mar. 06.

-25%
132p
Autonomy

BENEFITING FROM UNCERTAINTY

Autonomy has announced results for the year to 31st Dec. 02. Here are the highlights and lowlights:

- Revenue for the full year has dipped 3% to $51.0m
- PBT fell 56% to $5.9m
- Diluted EPS fell from 7c to 5c
- OEM revenues up 63%

Commenting on the results, CEO Dr Mike Lynch said: "*We continue to remain confident about our prospects, particularly the ongoing demand from large corporate and government clients buying into our established and new product suites*".

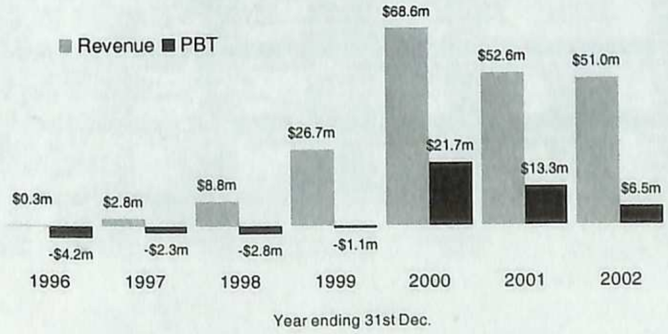
Comment: Given that many software companies have been recording double digit falls in new licence fees, Autonomy hasn't faired too badly. Indeed with an average selling price of $390K (up 6%) we could have understood if sales had been under more strain. Profits have fallen but that's partly because they were boosted last year by a $5.1m gain on foreign exchange (£139K this year). Indeed adjusted net profit (excluding foreign transaction gains and losses, impairment of equity investments and associated tax effects for all periods) was up 32% to $8m. Autonomy has kept an eye on costs and reduced its sales and marketing spend and general and administrative expenses, but increased R&D. Lynch also pointed to the "*excellent record of cash collection of more than $17m in Q4*", and noted that it can rely upon its blue chip customer base to pay. But with days sales outstanding (DSO) standing at 100, it's later rather than sooner.

Autonomy derives the majority of its revenues from new licence fees (maintenance cost of between 15-18% is included in the initial licence cost) and then renewed annually. Approximately 30% of its revenues is from repeat business – i.e. customers either increasing the number of seats or installing new modules. Mike Lynch reaffirmed that Autonomy isn't interested in services and believes it makes much more sense to leave installation and integration to its partners.

This approach seems to be paying off. Mind you it is benefiting from the current climate, as witnessed by its contracts with the US homeland security and intelligence agencies, which require Autonomy's solutions to aggregate, analyse, route and retrieve information from a variety of different sources. Currently 30% of its revenues comes from the public sector. In the commercial sector, Autonomy reports seeing some orders coming through and believes that demand will improve as companies can no longer continue to defer purchase decisions. (But its amazing just how long customers can put off these decisions - witness Misys and the banking market. This time last year Lomax was sure that decisions could no longer be deferred and that demand would pick up in H2 02... A year on the banks are still holding out!).

That said it all looks pretty good, Lynch didn't talk about the "*shoots of recovery*" this time but said he did expect "*modest sequential growth for the year*".

Autonomy Corporation plc
7 year Revenue & PBT Record
From 1996



Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

AFA Systems plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£4,077,000	£8,136,000	£3,137,000	-23.1%
PBT	-£1,417,000	-£14,619,000	-£2,163,000	Loss both
EPS	-5.60p	-56.90p	-8.50p	Loss both

Affinity Internet Holdings Plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£15,781,000	£52,765,000	£38,072,000	+141.3%
PBT	-£14,944,000	-£30,090,000	-£5,646,000	Loss both
EPS	-58.50p	-109.81p	-18.40p	Loss both

AIT Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£20,196,000	£36,224,000	£8,417,000	-58.3%
PBT	£364,000	-£9,272,000	-£37,732,000	Profit to loss
EPS	42.00p	-40.64p	-1556.50p	Profit to loss

Alphameric plc

	Interim - May 01	Final - Nov 01	Interim - May 02	Comparison
REV	£24,743,000	£56,848,000	£27,373,000	+10.6%
PBT	-£2,245,000	-£1,677,000	£187,000	Profit to loss
EPS	-2.20p	-2.39p	0.20p	Profit to loss

Alterian plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£1,803,000	£4,267,000	£1,807,000	+0.2%
PBT	-£4,753,000	-£9,247,000	-£4,485,000	Loss both
EPS	-12.10p	-23.90p	-11.40p	Loss both

Anite Group plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£95,220,000	£202,510,000	£111,541,000	+17.1%
PBT	£1,964,000	£5,764,000	-£43,405,000	Profit to loss
EPS	-0.50p	-0.60p	-14.00p	Loss both

Argonaut Games

	Final - Jul 01		Final - Jul 02	Comparison
REV	£4,396,000		£14,232,000	+223.7%
PBT	-£3,131,000		£2,763,000	Loss to Profit
EPS	-3.35p		2.87p	Loss to Profit

Autonomy Corporation plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£36,271,000		£33,974,000	-6.3%
PBT	£9,146,896		£4,345,000	-52.5%
EPS	5.00p		0.03p	-99.4%

Aveva Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£14,034,000	£31,818,000	£16,462,000	+17.3%
PBT	£1,130,000	£4,938,000	£1,234,000	+9.2%
EPS	4.26p	19.48p	4.72p	+10.8%

Axon Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£22,590,000	£42,762,000	£21,348,000	+89.3%
PBT	£2,428,000	£5,464,000	£1,222,000	+125.0%
EPS	4.40p	6.70p	2.50p	+52.3%

Azlan Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£298,300,000	£610,100,000	£298,600,000	+0.1%
PBT	£8,000,000	£18,400,000	£7,300,000	-8.8%
EPS	5.30p	11.90p	4.50p	-15.1%

Baltimore Technologies plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£38,928,000	£70,421,000	£22,065,000	-43.3%
PBT	-£550,646,000	-£659,711,000	-£42,968,000	Loss both
EPS	-110.00p	-131.80p	-8.50p	Loss both

Bond International Software plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£5,698,000	£11,365,995	£3,175,000	-44.3%
PBT	£443,000	£1,256,609	-£2,085,000	Profit to loss
EPS	2.17p	6.11p	-13.80p	Profit to loss

Business Systems Group Holdings plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£13,061,000	£24,224,000	£14,051,000	+7.6%
PBT	-£4,539,000	-£10,510,000	-£446,000	Loss both
EPS	-5.74p	-12.84p	-0.55p	Loss both

Capita Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£323,000,000	£641,940,000	£391,222,000	+21.1%
PBT	£20,984,000	£53,026,000	£29,043,000	+38.4%
EPS	185p	4.67p	2.50p	+35.1%

Charteris Plc

	Final - Jul 01		Final - Jun 02	Comparison
REV	£13,276,000		£19,087,000	+43.8%
PBT	£828,000		£1,588,000	+91.8%
EPS	152p		2.50p	+64.5%

Clarity Commerce plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£2,428,000	£7,620,000	£3,399,000	+40.0%
PBT	-£276,000	-£221,000	-£429,000	Loss both
EPS	-2.84p	-2.51p	-3.08p	Loss both

Clinical Computing plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£1,176,000	£2,179,894	£1,102,000	-6.3%
PBT	-£498,000	-£1,369,934	-£598,000	Loss both
EPS	-1.99p	-5.50p	-2.4	Loss both

CODASciSys plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£32,970,000	£64,820,000	£33,566,000	+1.8%
PBT	£2,599,000	£5,054,000	£2,869,000	+10.4%
EPS	6.40p	12.70p	7.4	+15.6%

Comino Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£9,310,000	£20,560,000	£11,803,000	+26.8%
PBT	-£1,441,000	-£576,000	£420,000	Loss to Profit
EPS	-6.50p	-3.80p	2.00p	Loss to Profit

Compass Software Group plc

	Interim - May 01	Final - Nov 01	Interim - May 02	Comparison
REV	£1,961,614	£4,266,677	£2,244,772	+14.4%
PBT	£91,481	£356,253	-£15,004	Profit to loss
EPS	0.47p	1.61p	-0.68p	Profit to loss

Compel Group plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£235,731,000		£68,892,000	-70.8%
PBT	-£13,367,000		-£1,691,000	Loss both
EPS	-47.00p		-3.20p	Loss both

Computacenter plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£1,175,570,000	£2,093,423,000	£976,958,000	-16.9%
PBT	£29,259,000	£34,900,000	£24,405,000	-16.6%
EPS	10.60p	9.90p	8.60p	-18.9%

DCS Group plc

	Interim Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£58,000,000	£104,900,000	£37,800,000	-34.8%
PBT	-£8,100,000	-£4,600,000	-£7,700,000	Loss both
EPS	-8.10p	-22.58p	-31.72p	Loss both

Delcam plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£9,004,000	£18,248,122	£9,518,000	+5.7%
PBT	£734,000	£853,565	£519,000	-29.3%
EPS	8.90p	9.70p	6.10p	-31.5%

Detica Group plc

	Interim - Sep 01	Final Mar 02	Interim - Sep 02	Comparison
REV	£14,534,000	£32,841,000	£17,626,000	+21.3%
PBT	£2,179,000	£5,928,000	£2,847,000	+30.7%
EPS	7.50p	20.80p	9.30p	+24.0%

Diagonal plc

	Interim - May 01	Final - Nov. 01	Interim - May 02	Comparison
REV	£44,955,000	£82,182,000	£33,902,000	-24.6%
PBT	£2,920,000	£4,256,000	£1,607,000	-45.0%
EPS	1.71p	2.26p	0.77p	-55.0%

Dicom Group plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£140,290,000		£149,527,000	+6.6%
PBT	£7,471,000		£3,521,000	-52.9%
EPS	22.80p		3.50p	-84.6%

Dimension Data plc

	Final - Sep 01		Final - Sep 02	Comparison
REV	£1,707,500,000		£1,489,600,000	-12.8%
PBT	-£1,148,900,000		-£1,756,500,000	Loss both
EPS	-96.20p		-155.60p	Loss both

DRS Data & Research Services plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£11,653,000		£10,054,000	-13.7%
PBT	£563,000		£665,000	+18.1%
EPS	112p		136p	+21.4%

Easynet plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£28,607,000	£71,276,000	£42,361,000	+48.1%
PBT	-£10,586,000	-£292,667,000	-£53,077,000	Loss both
EPS	-38.40p	-440.50p	-47.90p	Loss both

Easyscreen plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£1,245,696	£3,236,111	£1,234,399	-.9%
PBT	-£2,188,965	-£4,289,119	-£2,237,521	Loss both
EPS	-4.70p	-9.34p	-4.30p	Loss both

ECsoft Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£34,119,000	£59,327,000	£20,710,000	-39.3%
PBT	£2,763,000	-£18,345,000	-£5,754,000	Profit to loss
EPS	8.40p	-169.70p	-51.00p	Profit to loss

Eidos plc

	Fifteen months Jun 01		Final - Jun 02	Comparison
REV	£170,579,000		£142,564,000	-16.4%
PBT	-£111,723,000		-£30,655,000	Loss both
EPS	-97.70p		-22.90p	Loss both

Electronic Data Processing plc

	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£5,107,000	£10,408,000	£4,323,000	-15.4%
PBT	-£360,000	-£306,000	-£414,000	Loss both
EPS	-1.38p	-1.14p	-1.66p	Loss both

Empire Interactive plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£4,563,000	£11,086,000	£11,259,000	+146.7%
PBT	-£1,633,000	-£2,406,000	-£1,515,000	Loss both
EPS	-2.78p	-3.95p	-2.20p	Loss both

Epic Group plc

	Final - May 01		Final - May 02	Comparison
REV	£8,041,000		£7,227,000	-10.1%
PBT	£1,569,000		£835,000	-46.8%
EPS	6.05p		3.10p	-48.8%

Eurolink Managed Services plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£4,131,000	£9,226,000	4512000	+9.2%
PBT	£7,000	£155,000	17000	+142.9%
EPS	-0.38p	0.47p	0.03	Loss to profit

Eyretel plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£24,151,000	£50,017,000	£21,385,000	-11.5%
PBT	£146,000	£648,000	-£5,626,000	Profit to loss
EPS	0.06p	0.49p	-3.77p	Profit to loss

Financial Objects plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£8,711,000	£17,526,000	£6,780,000	-22.2%
PBT	£937,000	£1,046,000	-£1,103,000	Profit to loss
EPS	1.22p	0.84p	-2.35p	Profit to loss

Flomerics Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£6,455,000	£12,875,000	£5,966,000	+99.5%
PBT	£110,000	£308,000	£147,000	+180.0%
EPS	0.55p	1.72p	0.75p	+212.7%

Focus Solutions Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£2,285,000	£5,073,000	£2,821,000	+23.5%
PBT	-£1,426,000	-£2,590,000	-£1,834,000	Loss both
EPS	-5.70p	-10.30p	-7.20p	Loss both

GB Group plc

	Inerim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£8,868,000	£17,189,000	£5,183,000	-41.6%
PBT	-£2,411,000	-£2,260,000	£301,000	Loss to profit
EPS	-3.00p	-2.20p	0.30p	Loss to profit

Gladstone Plc

	Final - Aug 01		Final - Aug 02	Comparison
REV	£17,826,357		£8,603,805	-51.7%
PBT	-£16,336,496		-£1,748,902	Loss both
EPS	-47.45p		-4.53p	Loss both

Glotel plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£60,142,000	£98,352,000	£37,991,000	-36.8%
PBT	-£2,054,000	-£4,445,000	-£416,000	Loss both
EPS	-3.90p	-8.60p	-0.90p	Loss both

Gresham Computing plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£13,026,000	£24,761,000	£6,152,000	-52.8%
PBT	£1,675,000	-£973,000	£2,674,000	+59.6%
EPS	2.59p	-3.32p	4.87	+88.0%

Harrier Group plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£11,163,749		£17,052,456	+52.7%
PBT	-£1,325,523		-£1,144,750	Loss both
EPS	-4.76p		-3.59p	Loss both

Harvey Nash Group plc

	Interim - Jul 01	Final - Jan 02	Interim - Jul 02	Comparison
REV	£126,359,000	£235,720,000	£83,489,000	-33.9%
PBT	-£1,103,000	-£11,346,000	-£6,576,000	Loss both
EPS	-3.95p	-39.38p	-16.16p	Loss both

Highams Systems Services Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£9,630,000	£16,777,000	£5,618,000	-41.7%
PBT	-£370,000	-£298,000	-£212,000	Loss both
EPS	-1.83p	-1.45p	-1.09p	Loss both

Horizon Technology Group plc

	Interim - Jun 01	Final - Jun 01	Interim - Dec 01	Comparison
REV	£102,239,000	£249,091,000	£120,000,000	+17.4%
PBT	-£13,905,000	-£10,037,000	-£3,850,000	Loss both
EPS	-18.40p	-15.30p	-6.84p	Loss both

Host Europe plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£4,174,000	£9,529,000	£6,488,000	+55.4%
PBT	-£9,763,000	-£34,419,000	-£269,000	Loss both
EPS	-0.99p	-3.38p	-0.02p	Loss both

Hot Group plc

	Final - Apr 01		Final - Aug 02	Comparison
REV	£1,555,000		£2,831,000	+82.1%
PBT	-£165,000		-£4,710,000	Loss both
EPS	-2.46p		-31.42p	Loss both

I-Document Systems Plc

	Final - Oct 01		Final - Oct 02	Comparison
REV	£1,201,192		£3,017,602	+151.2%
PBT	-£1,181,273		-£1,483,473	Loss both
EPS	-0.97p		-1.11p	Loss both

ICM Computer Group plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£66,678,000		£68,871,000	+3.3%
PBT	£4,668,000		£4,478,000	-4.1%
EPS	16.00p		15.00p	-6.3%

IDS Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£16,038,000	£35,355,000	£15,983,000	-.3%
PBT	-£5,244,000	-£18,138,000	-£2,235,000	Loss both
EPS	-9.40p	-31.96p	-4.10p	Loss both

Innovation Group plc (The)

	Final - Sep 01		Final - Sep 02	Comparison
REV	£43,695,000		£100,071,000	+129.0%
PBT	-£10,806,000		-£391,114,000	Loss both
EPS	-11.64p		-202.75p	Loss both

InTechnology plc

	Interim - Sep 01	Final - Mar. 02	Interim - Sep 02	Comparison
REV	£73,872,000	£158,108,000	£75,957,000	+2.8%
PBT	-£5,282,000	£82,672,000	-£4,638,000	Loss both
EPS	-3.33p	-53.65p	-2.98p	Loss both

Intelligent Environments Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£1,948,000	£3,111,584	£1,426,000	-26.8%
PBT	-£3,632,000	-£6,979,561	-£1,904,000	Loss both
EPS	-8.30p	-13.53p	-1.51p	Loss both

IQ-Ludorum plc

	Interim - Jun 01	Final- Dec 01	Interim - Jun 02	Comparison
REV	£1,897,000	£4,192,000	£1,892,000	-.3%
PBT	-£2,346,000	-£5,308,000	-£3,396,000	Loss both
EPS	-0.03p	-6.66	-0.04	Loss both

iRevolution plc

	Interim - Mar 01	17 mths Sep 01	Interim - Mar 02	Comparison
REV	£2,524,000	£6,433,000	£2,858,000	+13.2%
PBT	-£647,000	-£4,153,000	-£1,779,000	Loss both
EPS	-2.50p	-14.50p	-3.90p	Loss both

iSOFT Group plc

	Interim - Oct. 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£22,763,000	£60,102,000	£35,277,000	+55.0%
PBT	£3,491,000	£12,178,000	£6,072,000	+73.9%
EPS	2.04p	7.61p	3.29p	+61.3%

I S Solutions plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£5,904,000	£10,873,000	£3,621,000	-38.7%
PBT	-£161,000	-£222,000	-£879,000	Loss boh
EPS	-0.73p	-1.06p	-3.48p	Loss both

ITNET plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£87,590,000	£176,446,000	£85,547,000	-2.3%
PBT	£4,072,000	£10,467,000	£2,800,000	-31.2%
EPS	3.47p	9.12p	0.47p	-86.5%

Izodia plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£2,697,000		£3,828,000	+41.9%
PBT	-£35,997,000		-£73,555,000	Loss both
EPS	-66.15		-156.33	Loss both

Jasmin plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£3,233,000	£7,099,000	£3,559,000	+10.1%
PBT	£325,000	£716,000	£333,000	+2.5%
EPS	6.72p	16.67p	6.89p	+2.5%

K3 Business Technology Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£3,449,000	£7,972,000	£3,944,000	+14.4%
PBT	-£881,000	-£1,373,000	-£49,000	Loss both
EPS	-2.30p	-3.60p	-0.10p	Loss both

Kewill Systems plc

	Interim - Sep 01	Final - Mar 02	Inerim - Sep 02	Comparison
REV	£24,399,000	£48,144,000	£14,172,000	-41.9%
PBT	-£55,069,000	-£57,638,000	-£5,742,000	Loss both
EPS	-71.90p	-75.20p	-8.00p	Loss both

Knowledge Support Systems Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£512,658	£1,020,520	£600,805	+17.2%
PBT	-£4,582,815	-£9,768,556	-£1,490,049	Loss both
EPS	-6.20p	-12.17p	-1.82p	Loss both

LogicaCMG plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	n/a		£2,008,800,000	n/a
PBT	n/a		-£827,100,000	n/a
EPS	n/a		n/a	n/a

Note: The companies listed on pages 16-19 are those companies in our S/ITS index with revenue of >£2m. Also included in our index are: **Atlantic Global, BSoftB, Earthport, Ffastfil, I-Document Systems, Intercede Group, Internet Business Group, Knowledge Technology Solutions, Netcall, PC Medics Group, Stilo International, Superscape, Systems Integrated, Ultrasis Group, Vianet Group**

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

London Bridge Software Holdings plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£36,935,000	£74,070,000	£32,262,000	-12.7%
PBT	£2,362,000	£4,725,000	-£2,799,000	Profit to loss
EPS	0.84p	173p	-170p	Profit to loss

Lorien plc

	Interim - May 01	Final - Nov 01	Interim - May 02	Comparison
REV	£67,090,000	£139,028,000	£60,449,000	-9.9%
PBT	£537,000	£1,997,000	-£6,346,000	Profit to loss
EPS	2.00p	8.10p	-36.80p	Profit to loss

Macro 4 plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£47,100,000		£39,405,000	-16.3%
PBT	£5,034,000		-£3,910,000	Profit to loss
EPS	9.40p		-18.80p	Profit to loss

Manpower SoftWare plc

	Final - May 01		Final - May 02	Comparison
REV	£2,769,667		£3,299,320	+19.1%
PBT	-£740,126		-£1252,691	Loss both
EPS	-5.10p		-5.10p	Loss both

Marlborough Stirling plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£32,177,000	£73,369,000	£58,400,000	+815%
PBT	£5,053,000	£9,277,000	£2,795,000	-44.7%
EPS	192p	2.90p	0.15p	-92.2%

MERANT plc

	Interim - Oct 01	Final Apr 02	Interim - Oct 02	Comparison
REV	£44,244,000	£87,068,000	£40,508,300	-8.4%
PBT	-£18,588,000	-£55,442,000	£13,759,000	Loss both
EPS	-0.13p	-46.80p	0.03p	Loss to profit

Microgen plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£11,020,000	£21,009,000	£12,271,000	+11.4%
PBT	£59,000	£251,000	£103,000	+74.6%
EPS	0.10p	2.80p	-0.50p	Profit to loss

Minorplanet Systems Plc

	Final - Aug 01		Final - Aug 02	Comparison
REV	£52,900,000		£124,700,000	+135.7%
PBT	£5,300,000		-£3,300,000	Profit to loss
EPS	7.89p		-4.11p	Profit to loss

Misys plc

	Interim - Nov 01	Final - May 02	Interim - Nov 02	Comparison
REV	£480,200,000	£1,036,300,000	£516,600,000	+7.6%
PBT	£2,300,000	£34,700,000	£24,900,000	+982.6%
EPS	-0.10p	3.70p	2.60p	Loss to profit

MMT Computing plc

	Final - Aug 01		Final - Aug 02	Comparison
REV	£31,112,000		£27,472,000	-11.7%
PBT	-£2,792,000		-£658,000	Loss both
EPS	-19.40p		-6.40p	Loss both

Mondas plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£1,729,088	£3,741,673	£1,452,981	-16.0%
PBT	-£1,184,379	-£2,177,858	-£1,529,674	Loss both
EPS	-5.90p	-10.10p	-7.30p	Loss both

Morse plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£586,076,000		£465,180,000	-20.6%
PBT	£19,194,000		-£124,000	Profit to loss
EPS	7.70p		-6.10p	Profit to loss

MSB International plc

	Interim - Jul 01	Final - Jan 02	Interim - Jul 02	Comparison
REV	£83,627,000	£145,987,000	£47,619,000	-43.1%
PBT	£416,000	£1,889,000	£0	Profit to B/E
EPS	1.10p	6.40p	0.00p	n/a

Myratech.net Plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£1,713,000		£2,000,000	+16.8%
PBT	-£1,599,000		-£2,755,000	Loss both
EPS	-6.00p		-10.00p	Loss both

Ncipher Plc

	Inerim - Ju 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£8,118,000	£14,367,000	£6,037,000	+77.0%
PBT	-£1,449,000	-£3,237,000	-£2,809,000	Loss both
EPS	-130p	-2.80p	-2.27p	Loss both

NetBenefit plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£6,353,000		£6,079,000	-4.3%
PBT	-£21,663,000		-£1,189,000	Loss both
EPS	-134.40p		-6.90p	Loss both

Netstore plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£3,563,923		£6,643,961	+86.4%
PBT	-£11,829,902		-£6,944,415	Loss both
EPS	-13.32p		-7.51p	Loss both

Nettec plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£9,413,000	£16,416,000	£2,355,000	-75.0%
PBT	-£21,353,000	-£36,066,000	-£2,699,000	Loss both
EPS	-19.00p	-30.90p	-2.20p	Loss both

Northgate Information Solutions plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£44,628,000	£92,564,000	£41,534,000	-6.9%
PBT	£4,102,000	£8,658,000	£29,807,000	+626.6%
EPS	139p	2.91p	8.99p	+546.8%

NSB Retail Systems plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£44,308,000	£93,818,000	£39,524,000	-10.8%
PBT	-£44,125,000	-£89,319,000	-£43,949,000	Loss both
EPS	-1109p	-22.63p	-1104p	Loss both

OneclickHR plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£2,721,780	£5,818,605	£2,792,765	+2.6%
PBT	-£1,180,617	-£2,114,778	-£875,776	Loss both
EPS	-2.30p	-4.10p	-160p	Loss both

Orchestream Holdings plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£6,949,000	£14,784,000	£3,936,000	-43.4%
PBT	-£9,768,000	-£35,017,000	-£20,936,000	Loss both
EPS	-8.80p	-30.70p	-15.90p	Loss both

Parity Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£130,367,000	£246,930,000	£95,958,000	-26.4%
PBT	-£1,468,000	-£3,265,000	-£820,000	Loss both
EPS	-0.48p	-2.03p	-0.17p	Profit to loss

Patsystems plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£2,207,000	£5,811,000	£3,568,000	+61.7%
PBT	-£5,502,000	-£15,161,000	-£5,133,000	Loss both
EPS	-4.30p	-1140p	-3.90p	Loss both

Pilat Media Global plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£2,841,000	£6,139,000	£2,470,000	-13.1%
PBT	-£1284,000	-£2,235,000	-£1337,000	Loss both
EPS	-4.00p	-6.98p	-4.16p	Loss both

Planit Holdings plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£9,766,000	£22,347,000	£10,522,000	+7.7%
PBT	£916,000	£3,550,000	£642,000	-29.9%
EPS	0.70p	2.70p	0.40p	-42.9%

PSD Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£41974,000	£71672,000	£22,845,000	-45.6%
PBT	£5,529,000	£4,815,000	£135,000	-97.6%
EPS	13.90p	10.20p	-0.40p	Profit to loss

QA plc

	Interim May 01	Final - Nov 01	Interim - May 02	Comparison
REV	£30,200,000	£55,300,000	£16,100,000	-46.7%
PBT	£400,000	£1,200,000	-£36,000,000	Profit to loss
EPS	-0.20p	-0.80p	-39.30p	Loss both

Quantica plc

	Interim - Jun 01	Final - Nov 01	Interim - Jun 02	Comparison
REV	£16,717,000	£33,418,000	£13,421,000	-19.7%
PBT	£1,596,000	£2,860,000	£504,000	-68.4%
EPS	2.74p	4.93p	0.74p	-73.0%

Raft International plc

	Final - Oct 01		Final - Oct 02	Comparison
REV	£9,468,000		£6,666,000	-29.6%
PBT	-£826,000		-£2,113,000	Loss both
EPS	-1.32p		-3.10p	Loss both

Rage Software plc

	Final - Jun 01		Final - Jul 02	Comparison
REV	£5,731,000		£12,274,000	+114.2%
PBT	-£17,054,000		-£16,098,000	Loss both
EPS	-5.28p		-4.10p	Loss both

RDL Group plc

	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£21,226,000	£43,618,000	£28,352,000	+33.6%
PBT	£1,093,000	£1,990,000	-£455,000	Profit to loss
EPS	4.51p	7.93p	-128p	Profit to loss

Retail Decisions plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£9,685,000	£22,195,000	£13,619,000	+40.6%
PBT	-£548,000	-£2,895,000	-£1,873,000	Loss both
EPS	-0.47p	-2.15p	-0.69p	Loss both

RM plc

	Final - Sep 01		Final - Sep 02	Comparison
REV	£241,916,000		£202,158,000	-16.4%
PBT	£15,207,000		-£5,914,000	Profit to loss
EPS	1120p		-5.10p	Profit to loss

Rolfe & Nolan plc

	Interim - Aug 01	Final - Feb 02	Interim - Aug 02	Comparison
REV	£12,026,000	£25,584,000	£10,701,000	-11.0%
PBT	-£680,000	-£5,267,000	£77,000	Loss to profit
EPS	-4.60p	-36.40p	120p	Loss to profit

Royalblue Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£34,693,000	£66,253,000	£29,315,000	-15.5%
PBT	£2,025,000	£4,197,000	£3,984,000	+96.7%
EPS	3.10p	6.00p	8.50p	+174.2%

Sage Group plc

	Final - Sep 01		Final - Sep 02	Comparison
REV	£484,137,000		£551,731,000	+14.0%
PBT	£121,317,000		£129,154,000	+6.5%
EPS	6.59p		6.99p	+6.1%

SBS Group plc

	Interim - Feb 01	Final - Aug 01	Interim - Feb 02	Comparison
REV	£23,106,000	£45,402,000	£16,996,000	-26.4%
PBT	-£388,000	-£3,621,000	-£606,000	Loss both
EPS	-3.20p	-39.50p	-6.60p	Loss both

SDL plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£16,747,000	£33,659,000	£28,131,000	+68.0%
PBT	-£2,770,000	-£5,098,000	-£2,002,000	Loss both
EPS	-6.50p	-1156p	-4.02p	Loss both

ServicePower Technologies plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£3,292,000		£3,150,000	-4.3%
PBT	-£3,928,000		-£2,700,000	Loss both
EPS	-8.10p		-4.90p	Loss both

Sherwood International plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£26,847,000	£56,513,000	£24,563,000	-8.5%
PBT	-£1,445,000	-£11,012,000	-£2,136,000	Loss both
EPS	-4.10p	-25.60p	-5.60p	Loss both

Sirius Financial Solutions plc

	Interim - Jun 01	Final - Dec 00	Interim - Jun 02	Comparison
REV	£9,093,000	£17,135,457	£10,698,000	+17.7%
PBT	£115,000	£727,215	£1,359,000	Profit to loss
EPS	0.20p	4.40p	4.60p	Profit to loss

Software for Sport plc

	Final - Feb 01		Final - Feb 02	Comparison
REV	£868,000		£3,030,000	+249.1%
PBT	-£1,574,000		-£1,633,000	Loss both
EPS	-2.18		-124p	Loss both

Sopheon plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£6,068,000	£13,963,000	£6,511,000	+7.3%
PBT	-£12,565,000	-£34,631,000	-£8,961,000	Loss both
EPS	-32.50p	-76.20p	-10.90p	Loss both

Spring Group plc

	Interim - Jun 01	8 months to Dec 01	Interim - Jun 02	Comparison
REV	£172,126,000	£220,916,000	£148,378,000	-13.8%
PBT	£677,000	-£15,021,000	-£9,491,000	Profit to loss
EPS	0.47p	-9.15p	-6.39p	Profit to loss

Staffware plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£19,127,000	£38,230,000	£18,231,000	-4.7%
PBT	-£3,369,000	-£3,250,000	£391,000	Loss to profit
EPS	-24.10p	-26.00p	0.30p	Loss to profit

StatPro Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£3,172,000	£6,174,000	£3,031,000	-4.4%
PBT	-£4,879,000	-£4,742,000	£2,326,000	Loss both
EPS	-18.40p	-15.30p	-7.80p	Loss both

SurfControl plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£29,120,000		£37,538,000	+28.9%
PBT	-£63,746,000		-£48,084,000	Loss both
EPS	-217.40p		-156.55p	Loss both

Synstar plc

	Final - Sep 01		Final - Sep 02	Comparison
REV	£238,198,000		£221,870,000	-6.9%
PBT	-£21,296,000		£6,532,000	Loss to profit
EPS	-13.80p		2.40p	Loss to profit

Systems Union Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£36,756,000	£78,385,000	£37,459,000	+19%
PBT	£679,000	£2,189,000	£1,616,000	+138.0%
EPS	0.60p	190p	160p	+156.7%

Telecity plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£15,914,000	£32,628,000	£12,170,000	+105.0%
PBT	-£23,322,000	-£35,392,000	-£16,918,000	Loss both
EPS	-19.00p	-25.20p	-8.40p	Loss both

Telework Systems plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£8,343,000	£17,713,000	£6,576,000	-21.2%
PBT	-£1,800,000	-£5,068,000	-£2,912,000	Loss both
EPS	-0.81p	-2.20p	-161p	Loss both

Tikit Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£4,704,000	£9,123,000	£3,731,000	-20.7%
PBT	£320,000	£1,006,000	£1000	-99.7%
EPS	3.10p	6.10p	0.00p	-100.0%

Torex plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£61954,000	£132,206,000	£77,608,000	+25.3%
PBT	£3,860,000	£8,915,000	£7,001,000	+81.4%
EPS	5.10p	9.90p	9.00p	+76.5%

Total Systems plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£2,838,066	£5,384,299	£2,026,589	-28.6%
PBT	£772,911	£1,415,606	£280,033	-63.8%
EPS	5.11p	9.44p	184p	-64.0%

Touchstone Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£6,725,000	£14,187,000	£6,912,000	+2.8%
PBT	£606,000	£1,770,000	£611,000	+0.8%
EPS	3.80p	10.90p	3.70p	-2.6%

Trace Group plc

	Interim - Nov 00	Final - May 01	Interim - Nov 01	Comparison
REV	£8,328,000	£15,656,000	£10,475,000	+25.8%
PBT	£1,085,000	£3,183,000	£771,000	-28.9%
EPS	5.25p	17.12p	3.12p	-40.6%

Transeda plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£6,510,000		£5,751,000	-11.7%
PBT	£592,000		-£7,346,000	Profit to loss
EPS	0.66p		-11.72p	Profit to loss

Transware plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£10,417,322		£12,806,946	+22.9%
PBT	£1,550,188		£319,574	-79.4%
EPS	3.59p		0.33p	-90.8%

Triad Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£24,182,000	£41,567,000	£14,091,000	-41.7%
PBT	£1,519,000	-£470,000	-£2,527,000	Profit to loss
EPS	4.10p	-136p	-7.91p	Profit to loss

Tribal Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£15,344,000	£45,651,000	£38,275,000	+149.4%
PBT	£761,000	£4,680,000	£412,000	-45.9%
EPS	0.22p	6.60p	-174p	Profit to loss

Ultima Networks plc

	Interim - Jun 00	Final - Dec 00	Interim - Jun 01	Comparison
REV	£3,889,000	£6,952,000	£2,768,000	-28.8%
PBT	-£496,000	-£865,000	-£599,000	Loss both
EPS	-0.26p	-0.45p	-0.31p	Loss both

Universe Group plc

	Interim - Jun 00	Final - Dec 01	Interim - Jun 01	Comparison
REV	£21,963,000	£58,990,000	£27,281,000	+24.2%
PBT	£111,000	£858,000	£431,000	+288.3%
EPS	-0.60p	0.10p	0.10p	Loss to Profit

Vega Group plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£17,572,000	£35,572,000	£17,390,000	-10%
PBT	-£332,000	-£763,000	-£8,662,000	Loss both
EPS	-190p	-3.53p	-47.99p	Loss both

VI Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£3,083,000	£6,456,000	£3,200,000	+3.8%
PBT	£324,000	£726,000	-£357,000	Profit to loss
EPS	0.94p	2.12p	-104p	Profit to loss

Vocalis Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£1,223,000	£1,735,000	£1,404,000	+14.8%
PBT	-£1,968,000	-£4,185,000	-£1,626,000	Loss both
EPS	-4.25p	-5.41p	-128p	Loss both

Warthog plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£4,770,285	£8,858,117	£5,402,913	+13.3%
PBT	£35,816	£487,791	£134,394	+275.2%
EPS	0.03p	0.64p	0.16p	+433.3%

Wealth Management Software plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£6,356,000	£12,009,000	£6,074,000	-4.4%
PBT	-£3,246,000	-£6,346,000	£1,000	Loss to Profit
EPS	-7.85p	-15.24p	0.04p	Loss to Profit

Xansa plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£269,200,000	£515,100,000	£232,500,000	-13.6%
PBT	£1,700,000	-£507,800,000	-£140,700,000	Profit to loss
EPS	-3.52p	-184.66p	-5100p	Loss both

XKO Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£20,433,000	£38,880,000	£21,614,000	+5.8%
PBT	-£4,777,000	-£14,938,000	£257,000	Loss to Profit
EPS	-18.20p	-56.40p	0.40p	Loss to Profit

Xpertise Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£2,936,000	£5,276,000	£2,120,000	-27.8%
PBT	-£231,000	-£1,571,000	-£333,000	Loss both
EPS	-0.74p	-4.83p	-0.46p	Loss both

Note: The companies listed on pages 16-19 are those companies in our S/ITS index with revenue of >£2m. Also included in our index are: **Atlantic Global, BSoftB, Earthport, Ffastfil, I-Document Systems, Intercede Group, Internet Business Group, Knowledge Technology Solutions, Netcall, PC Medics Group, Stilo International, Superscape, Systems Integrated, Ultrasis Group, Vianet Group**

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 31-Jan-03	Capitalisation 31-Jan-03	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Jan-03	Share price move since 31-Dec-02	Share price % move in 2002	Capitalisation move since 31-Dec-02	Capitalisation move (£m) in 2002
AFA Systems	SP	£0.15	£3.4m	Loss	0.42	121	-23.68%	-23.68%	-£1.07m	-£1.07m
Affinity Internet Holdings	CS	£0.37	£12.2m	Loss	0.23	2808	-2.67%	-2.67%	-£0.34m	-£0.34m
AIT Group	CS	£0.29	£7.0m	Loss	0.19	190	-17.14%	-17.14%	-£1.37m	-£1.37m
Alphameric	SP	£0.56	£58.5m	Loss	1.03	257	9.80%	9.80%	£5.17m	£5.17m
Alterian	SP	£0.34	£13.3m	Loss	3.12	170	-8.11%	-8.11%	-£1.20m	-£1.20m
Anite Group	CS	£0.27	£89.0m	Loss	0.44	155	12.77%	12.77%	£10.04m	£10.04m
Argonaut Games	SP	£0.18	£16.9m	5.1	1.19	182	0.00%	0.00%	£0.00m	£0.00m
Autonomy Corporation	SP	£1.32	£164.9m	44.0	4.85	40	-24.57%	-24.57%	-£53.78m	-£53.78m
Aveva Group	SP	£3.18	£53.7m	15.7	1.69	1588	-10.18%	-10.18%	-£6.10m	-£6.10m
Axon Group	CS	£0.57	£29.4m	10.2	0.69	323	-0.88%	-0.88%	-£0.20m	-£0.20m
Azlan Group	R	£0.89	£98.5m	7.7	0.16	385	-20.52%	-20.52%	-£25.41m	-£25.41m
Baltimore Technologies	SP	£0.32	£17.1m	Loss	0.24	328	-28.89%	-28.89%	-£5.94m	-£5.94m
Bond International	SP	£0.18	£2.5m	2.9	0.22	269	0.00%	0.00%	£0.00m	£0.00m
Business Systems	CS	£0.04	£3.0m	Loss	0.08	32	-21.05%	-21.05%	-£0.81m	-£0.81m
Capita Group	CS	£2.05	£1,362.0m	24.0	1.97	55348	-17.27%	-17.27%	-£284.87m	-£284.87m
Charteris	CS	£0.17	£6.9m	4.9	0.36	183	-26.67%	-26.67%	-£2.50m	-£2.50m
Clarity Commerce	SP	£0.69	£9.5m	Loss	1.25	548	-1.44%	-1.44%	-£0.14m	-£0.14m
Clinical Computing	SP	£0.32	£7.9m	Loss	3.63	254	-3.08%	-3.08%	-£0.25m	-£0.25m
CODASciSys (was Science Systems)	CS	£2.58	£65.4m	12.2	1.32	1996	5.10%	5.10%	£4.50m	£4.50m
Comino	SP	£1.37	£18.9m	Loss	0.92	1054	7.45%	7.45%	£1.29m	£1.29m
Compass Software	SP	£0.66	£7.8m	16.3	1.80	440	0.00%	0.00%	£0.00m	£0.00m
Compel Group	R	£0.77	£23.7m	Loss	0.37	612	-7.27%	-7.27%	-£1.91m	-£1.91m
Computacenter	R	£2.44	£451.3m	15.5	0.22	363	-13.04%	-13.04%	-£67.60m	-£67.60m
DCS Group	CS	£0.13	£3.3m	Loss	0.03	217	23.81%	23.81%	£0.63m	£0.63m
Delcam	SP	£1.20	£7.2m	16.9	0.40	462	-4.00%	-4.00%	-£0.30m	-£0.30m
Detica	CS	£3.04	£67.8m	14.6	2.07	759	-15.22%	-15.22%	-£12.20m	-£12.20m
Diagonal	CS	£0.52	£46.0m	11.1	0.56	749	0.98%	0.98%	£0.40m	£0.40m
Dicom Group	R	£4.10	£85.3m	28.0	0.57	1257	1.23%	1.23%	£1.00m	£1.00m
Dimension Data	R	£0.25	£335.5m	Loss	0.15	44	-13.79%	-13.79%	-£53.69m	-£53.69m
DRS Data & Research	SP	£0.28	£9.5m	12.2	0.95	250	-8.33%	-8.33%	-£0.88m	-£0.88m
Easynet	CS	£0.73	£45.3m	Loss	1.09	20	-7.59%	-7.59%	-£3.80m	-£3.80m
Easyscreen	SP	£0.25	£13.5m	Loss	4.17	146	-1.00%	-1.00%	£0.20m	£0.20m
ECSoft Group	CS	£3.00	£33.8m	Loss	0.57	166	0.84%	0.84%	£0.30m	£0.30m
Eidos	SP	£1.14	£158.1m	Loss	0.93	5697	-9.52%	-9.52%	-£16.64m	-£16.64m
Electronic Data Processing	SP	£0.39	£9.5m	Loss	0.91	1179	-1.28%	-1.28%	-£0.12m	-£0.12m
Empire Interactive	SP	£0.03	£1.9m	Loss	0.17	50	-60.00%	-60.00%	-£3.13m	-£3.13m
Epic Group	CS	£0.78	£19.7m	24.2	2.73	743	1.30%	1.30%	£0.20m	£0.20m
Eurolink Managed Services	CS	£0.35	£3.6m	74.5	0.39	350	1.45%	1.45%	£0.05m	£0.05m
Eyretel	SP	£0.11	£16.4m	22.4	0.33	108	7.50%	7.50%	£1.10m	£1.10m
Financial Objects	SP	£0.39	£10.8m	5.3	0.62	170	-1.27%	-1.27%	-£0.10m	-£0.10m
Flomerics Group	SP	£0.46	£6.6m	19.3	0.51	1750	-33.58%	-33.58%	-£3.33m	-£3.33m
Focus Solutions Group	SP	£0.11	£2.8m	Loss	0.56	56	-24.14%	-24.14%	-£0.90m	-£0.90m
GB Group	SP	£0.14	£10.8m	Loss	0.63	87	-1.82%	-1.82%	-£0.20m	-£0.20m
Gladstone	SP	£0.04	£1.8m	Loss	0.10	106	-15.00%	-15.00%	-£0.31m	-£0.31m
Glotel	A	£0.53	£19.9m	Loss	0.20	273	-1.87%	-1.87%	-£0.40m	-£0.40m
Gresham Computing	CS	£0.49	£23.7m	Loss	0.96	527	-20.00%	-20.00%	-£5.92m	-£5.92m
Harrier Group	CS	£0.07	£1.9m	Loss	0.11	53	-20.59%	-20.59%	-£0.50m	-£0.50m
Harvey Nash Group	A	£0.29	£16.2m	Loss	0.07	166	-17.14%	-17.14%	-£3.36m	-£3.36m
Highams Systems Services	A	£0.09	£1.7m	Loss	0.10	243	2.94%	2.94%	£0.05m	£0.05m
Horizon Technology	R	£0.22	£12.5m	Loss	0.05	79	4.88%	4.88%	£0.50m	£0.50m
Host Europe	CS	£0.01	£15.4m	Loss	1.62	459	-7.14%	-7.14%	-£0.40m	-£0.40m
Hot Group (was RexOnline)	CS	£0.17	£5.6m	Loss	1.96	196	17.86%	17.86%	£1.64m	£1.64m
I S Solutions	CS	£0.06	£1.5m	Loss	0.14	224	4.35%	4.35%	£0.06m	£0.06m
I-Document Systems	SP	£0.11	£15.8m	Loss	5.24	14	-4.26%	-4.26%	-£0.70m	-£0.70m
ICM Computer Group	CS	£1.70	£33.6m	10.8	0.49	944	-6.85%	-6.85%	-£2.50m	-£2.50m
IDS Group	SP	£0.11	£6.3m	Loss	0.18	122	-15.38%	-15.38%	-£1.15m	-£1.15m
Innovation Group	SP	£0.08	£15.1m	Loss	0.15	34	-32.61%	-32.61%	-£7.21m	-£7.21m
InTechnology	CS	£0.61	£84.2m	Loss	0.53	2440	1.67%	1.67%	£1.40m	£1.40m
Intelligent Environments	SP	£0.04	£4.6m	Loss	1.49	37	0.00%	0.00%	£0.06m	£0.06m
IQ-Ludorum	SP	£0.03	£2.2m	Loss	0.36	37	0.00%	0.00%	£0.00m	£0.00m
iRevolution	CS	£0.01	£0.3m	Loss	0.05	17	-40.00%	-40.00%	-£0.23m	-£0.23m
iSOFT Group	SP	£2.25	£264.2m	18.7	4.40	2041	-12.30%	-12.30%	-£37.00m	-£37.00m
ITNET	CS	£1.71	£124.6m	11.2	0.71	487	-11.43%	-11.43%	-£16.10m	-£16.10m
Izodia (was Infobank)	SP	£0.44	£25.7m	Loss	6.81	6985	0.00%	0.00%	-£0.20m	-£0.20m
Jasmin	SP	£1.29	£6.1m	7.5	0.85	860	-16.23%	-16.23%	-£1.18m	-£1.18m
K3 Business Technology	SP	£0.09	£4.3m	Loss	0.54	65	0.00%	0.00%	£0.00m	£0.00m
Kewill	SP	£0.21	£15.9m	Loss	0.33	405	-16.33%	-16.33%	-£3.10m	-£3.10m
Knowledge Support Systems Group	SP	£0.22	£16.2m	Loss	16.20	100	7.32%	7.32%	£1.10m	£1.10m
LogicaCMG	CS	£1.22	£905.0m	Loss	0.45	1664	-19.00%	-19.00%	-£219.87m	-£219.87m
London Bridge Software	SP	£0.30	£50.1m	9.7	0.68	738	18.00%	18.00%	£7.70m	£7.70m

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Category Codes: CS= Computer Services **SP** = Software Product **R** = Reseller **A** = IT Agency **O** = Other

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 31-Jan-03	Capitalisation 31-Jan-03	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Jan-03	Share price move since 31-Dec-02	Share price % move in 2002	Capitalisation move since 31-Dec-02	Capitalisation move (£m) in 2002
Lorien	A	£0.56	£10.9m	4.3	0.08	555	-20.71%	-20.71%	-£2.80m	-£2.80m
Macro 4	SP	£0.45	£9.3m	Loss	0.24	179	-2.20%	-2.20%	-£0.20m	-£0.20m
Manpower SoftWare	SP	£0.06	£2.7m	Loss	0.80	62	-29.41%	-29.41%	-£1.11m	-£1.11m
Marlborough Stirling	SP	£0.31	£68.8m	5.7	0.94	218	-14.08%	-14.08%	-£11.30m	-£11.30m
MERANT	SP	£0.95	£99.9m	Loss	1.15	459	12.43%	12.43%	£11.10m	£11.10m
Microgen	CS	£0.22	£12.8m	4.6	0.61	94	10.00%	10.00%	£1.10m	£1.10m
Minorplanet Systems	SP	£1.31	£95.5m	Loss	0.77	2665	6.10%	6.10%	£5.50m	£5.50m
Misys	SP	£1.77	£1,019.0m	14.2	0.98	2202	0.57%	0.57%	£5.20m	£5.20m
MMT Computing	CS	£0.98	£11.8m	Loss	0.43	580	9.55%	9.55%	£1.03m	£1.03m
Mondas	SP	£0.23	£4.9m	Loss	1.30	307	-8.00%	-8.00%	-£0.15m	-£0.15m
Morse	R	£1.04	£134.6m	Loss	0.29	414	-18.82%	-18.82%	-£31.20m	-£31.20m
MSB International	A	£0.51	£10.3m	9.8	0.07	266	-7.34%	-7.34%	-£0.81m	-£0.81m
Myratech.net	CS	£0.03	£0.8m	Loss	0.48	22	-3.33%	-3.33%	-£0.04m	-£0.04m
Ncipher	SP	£0.63	£79.1m	Loss	5.51	250	2.46%	2.46%	£1.90m	£1.90m
NetBenefit	CS	£0.11	£1.8m	Loss	0.30	56	-8.16%	-8.16%	-£0.12m	-£0.12m
Netstore	CS	£0.22	£20.5m	Loss	3.09	143	11.69%	11.69%	£2.20m	£2.20m
Nettec	CS	£0.07	£8.4m	Loss	0.51	0	3.70%	3.70%	£0.16m	£0.16m
Northgate Information Solutions	CS	£0.23	£63.6m	9.7	0.69	87	-13.46%	-13.46%	-£10.77m	-£10.77m
NSB Retail Systems	SP	£0.06	£20.1m	Loss	0.21	543	-13.79%	-13.79%	-£3.22m	-£3.22m
OneclickHR	SP	£0.07	£3.9m	Loss	0.67	175	-6.67%	-6.67%	-£0.28m	-£0.28m
Orchestream	SP	£0.06	£7.7m	Loss	0.52	32	4.35%	4.35%	£0.16m	£0.16m
Parity	A	£0.14	£21.1m	Loss	0.09	2292	-15.38%	-15.38%	-£3.80m	-£3.80m
Patsystems	SP	£0.12	£15.8m	Loss	2.72	112	0.00%	0.00%	£0.20m	£0.20m
Pilat Media Global	SP	£0.12	£5.3m	Loss	0.86	600	-27.27%	-27.27%	-£1.98m	-£1.98m
Planit Holdings	SP	£0.21	£17.0m	5.5	0.76	854	-22.64%	-22.64%	-£5.00m	-£5.00m
PSD Group	A	£1.59	£39.8m	15.6	0.56	720	-14.32%	-14.32%	-£6.60m	-£6.60m
QA (was Skillsgroup)	CS	£0.05	£4.8m	Loss	0.09	24	-4.55%	-4.55%	-£0.22m	-£0.22m
Quantica	A	£0.29	£11.7m	7.8	0.35	234	-13.43%	-13.43%	-£1.80m	-£1.80m
Raft International	SP	£0.03	£2.0m	Loss	0.30	48	0.00%	0.00%	£0.00m	£0.00m
Rage Software	SP	£0.00	£2.6m	Loss	0.22	10	-75.00%	-75.00%	-£5.47m	-£5.47m
RDL Group	A	£0.09	£1.7m	1.7	0.04	94	-63.83%	-63.83%	-£2.95m	-£2.95m
Retail Decisions	SP	£0.03	£9.2m	Loss	0.41	44	-18.75%	-18.75%	-£2.15m	-£2.15m
RM	SP	£0.92	£84.2m	Loss	0.42	2629	2.22%	2.22%	£1.90m	£1.90m
Rolfe & Nolan	SP	£0.78	£11.4m	Loss	0.45	923	2.65%	2.65%	£0.30m	£0.30m
Royalblue Group	SP	£2.15	£65.5m	9.7	0.99	1265	-8.51%	-8.51%	-£6.02m	-£6.02m
Sage Group	SP	£1.18	£1,495.0m	17.8	2.71	45385	-11.28%	-11.28%	-£189.50m	-£189.50m
SBS Group	A	£0.10	£1.3m	Loss	0.03	103	3.00%	3.00%	£0.04m	£0.04m
SDL	CS	£0.29	£15.7m	Loss	0.47	193	-3.33%	-3.33%	-£0.50m	-£0.50m
ServicePower	SP	£0.10	£5.1m	Loss	1.60	100	25.00%	25.00%	£1.02m	£1.02m
Sherwood International	SP	£0.84	£38.3m	Loss	0.68	2798	9.09%	9.09%	£3.19m	£3.19m
Sirius Financial (was Policymaster)	SP	£1.08	£19.1m	36.2	1.10	717	-2.27%	-2.27%	-£0.40m	-£0.40m
Software for Sport	SP	£0.03	£4.6m	Loss	1.53	277	0.00%	0.00%	£0.00m	£0.00m
Sopheon	SP	£0.12	£9.8m	Loss	0.70	165	-11.54%	-11.54%	-£1.27m	-£1.27m
Spring Group	A	£0.49	£72.8m	Loss	0.33	539	5.43%	5.43%	£3.75m	£3.75m
Staffware	SP	£2.85	£41.0m	Loss	1.07	1267	20.00%	20.00%	£6.80m	£6.80m
StatPro Group	SP	£0.17	£5.6m	Loss	0.90	213	-15.00%	-15.00%	-£0.98m	-£0.98m
SurfControl (was JSB)	SP	£4.03	£121.4m	Loss	3.23	2013	-3.59%	-3.59%	-£4.50m	-£4.50m
Synstar	CS	£0.57	£91.8m	17.1	0.41	342	-3.42%	-3.42%	-£3.30m	-£3.30m
Systems Union (was Freecom)	SP	£0.63	£64.5m	10.1	0.82	481	-13.79%	-13.79%	-£10.30m	-£10.30m
Telecity	CS	£0.03	£6.3m	Loss	0.45	4	0.00%	0.00%	-£0.25m	-£0.25m
Telework Systems	SP	£0.06	£9.9m	Loss	0.63	0	0.00%	0.00%	£0.00m	£0.00m
Tikit Group	CS	£0.82	£9.6m	14.8	1.05	709	0.00%	0.00%	£0.00m	£0.00m
Torex Group	CS	£3.35	£158.6m	11.2	1.20	6505	3.88%	3.88%	£5.90m	£5.90m
Total Systems	SP	£0.40	£4.1m	6.5	0.76	745	-7.06%	-7.06%	-£0.31m	-£0.31m
Touchstone Group	SP	£0.89	£9.2m	8.2	0.65	843	-11.50%	-11.50%	-£1.23m	-£1.23m
Trace Group	SP	£0.40	£6.0m	2.9	0.35	316	-15.05%	-15.05%	-£1.07m	-£1.07m
Transeda	SP	£0.02	£1.2m	Loss	0.21	35	-41.67%	-41.67%	-£0.88m	-£0.88m
Transware	CS	£0.08	£3.6m	24.2	0.28	106	17.86%	17.86%	£1.10m	£1.10m
Triad Group	CS	£0.27	£4.0m	Loss	0.10	196	-8.62%	-8.62%	-£0.38m	-£0.38m
Tribal Group	CS	£2.57	£134.3m	15.7	2.94	1555	7.32%	7.32%	£10.90m	£10.90m
Ultima Networks	R	£0.01	£1.7m	Loss	0.24	22	-10.00%	-10.00%	-£0.24m	-£0.24m
Universe Group	SP	£0.23	£8.0m	6.4	0.17	1000	0.00%	0.00%	£0.00m	£0.00m
Vega Group	CS	£0.63	£11.5m	Loss	0.32	512	5.04%	5.04%	£0.60m	£0.60m
VI group	SP	£0.16	£5.8m	7.5	0.89	310	0.00%	0.00%	£0.00m	£0.00m
Vocalis Group	SP	£0.02	£2.8m	Loss	1.60	21	-20.00%	-20.00%	-£0.69m	-£0.69m
Warthog	SP	£0.18	£8.5m	17.9	0.96	419	2.86%	2.86%	£0.23m	£0.23m
Wealth Management Software	SP	£0.07	£2.8m	Loss	0.24	52	-15.63%	-15.63%	-£0.52m	-£0.52m
Xansa (was F.I. Group)	CS	£0.53	£174.5m	Loss	0.34	1346	-4.55%	-4.55%	-£8.26m	-£8.26m
XKO Group	SP	£0.35	£9.4m	Loss	0.24	233	-4.11%	-4.11%	-£0.41m	-£0.41m
Xpertise Group	CS	£0.03	£6.0m	Loss	1.14	110	-26.67%	-26.67%	£3.32m	£3.32m

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STARTING 2003 AS WE ENDED 2002

31-Jan-03	S/ITS Index	2520.61
	FTSE IT (SCS) Index	308.16
	techMARK 100	612.50
	FTSE 100	3567.40
	FTSE AIM	580.60
SCSI Index =1000 on 15th April 1989	FTSE SmallCap	1729.47

Changes in Indices	SCSI Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/01/03 to 01/01/03)	-7.08%	-9.47%	-5.59%	-9.42%	-3.70%	-5.00%
From 15th Apr 89	+152.06%	+73.71%				
From 1st Jan 90	+173.95%	+51.03%				
From 1st Jan 91	+256.08%	+65.13%				
From 1st Jan 92	+141.24%	+43.09%				
From 1st Jan 93	+58.17%	+25.33%				+24.66%
From 1st Jan 94	+50.97%	+4.36%				-7.45%
From 1st Jan 95	+68.13%	+16.37%				-0.97%
From 1st Jan 96	+11.61%	-3.30%	-22.39%		-39.10%	-10.92%
From 1st Jan 97	-5.86%	-13.38%	-33.04%		-40.52%	-20.78%
From 1st Jan 98	-16.95%	-30.53%	-35.80%	-69.18%	-41.47%	-25.24%
From 1st Jan 99	-36.05%	-39.36%	-57.93%	-78.69%	-27.57%	-16.49%
From 1st Jan 00	-78.03%	-48.52%	-83.79%	-91.71%	-69.96%	-44.17%
From 1st Jan 01	-69.89%	-42.67%	-76.13%	-84.19%	-59.62%	-45.67%
From 1st Jan 02	-47.47%	-31.62%	-58.41%	-63.50%	-35.33%	-32.94%
From 1st Jan 03	-7.08%	-9.47%	-5.59%	-9.42%	-3.70%	-5.00%

End Jan 03	Move since 1st Jan 99	Move since 1st Jan 00	Move since 1st Jan 01	Move since 1st Jan 02	Move since 1st Jan 03	Move in Jan 03
System Houses	-48.8%	-80.1%	-73.2%	-51.7%	-3.7%	-3.7%
IT Staff Agencies	-76.9%	-79.9%	-67.9%	-42.2%	-13.0%	-13.0%
Resellers	-4.1%	-53.8%	-38.9%	-32.0%	-8.0%	-8.0%
Software Products	-1.1%	-76.2%	-82.7%	-44.4%	-7.9%	-7.9%
Holway Internet Index	98.4%	-75.9%	-64.5%	-35.8%	-2.0%	-2.0%
Holway SCS Index	-36.0%	-78.0%	-69.9%	-47.5%	-7.1%	-7.1%

We ended 2002 with a month of falls and started 2003 in much the same way.

All the technology indices suffered declines, with the FTSE100 falling by 9.47% and the FTSE IT (SCS) index (the best indicator of the performance of the larger S/ITS companies) not far behind with a 9.42% decline. Our Holway S/ITS index was down 7.1%.

The worst performing S/ITS companies by quite some margin were the IT staff agencies. They experienced an average share price fall of 13%, whilst the system houses, despite seeing their average share price fall almost 4%, were the best performers.

Looking at the individual performances of the companies, Rage Software, the games software developer, was the worst performer with its share price dropping 75% to just 0.25p. Rage's shares were suspended mid way through the month when it announced the appointment of the receivers. Later in the month, it emerged that managers at three of Rage's four software studios are putting together MBO proposals for their studios and intellectual property rights. Other poor performances came from The Innovation Group (down 32.6% to 8p), Baltimore Technologies (down 28.9% to 32p) and Autonomy (down 24.6% to £1.32) following its results announcement (see page 15). Capita also suffered with a 17.3% fall to £2.05. The best performance of the month came from Servicepower Technolgies (up 25% to 10p).

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